
To achieve our strategic target of becoming a US$20-billion company by 2020, we have set milestones to mark our progress: we need to be a global, diversified company with top-quartile returns; we will embrace the spirit of the mining charter in full by being an employer of choice and an agent for change in South Africa; we are structured for operational excellence, aiming to reduce our carbon footprint, improve on the safety and empowerment of our people, while being sustainable and relevant in the future.

exxaro

POWERING POSSIBILITY

# INTEGRATED ANNUAL REPORT 2011

# GROUP IN BRIEF

## HIGHLIGHTS

Lost-time injury frequency rate (LTIFR) down 20% to 0,20

Mpower scheme testimony to meaningful employee empowerment, distributing over R1 billion to 9 694 beneficiaries

Revenue increased by 24% to R21,3 billion

Net operating profit up 53% to R4 billion, excluding the impact of impairment reversals and charges

Headline earnings per share up 40% to 2 098 cents per share

Final dividend of 500 cents per share; total dividend of 800 cents per share for 2011

## LOWLIGHTS

Regrettably, three fatalities

Cessation of zinc production at the Zincor refinery

## PROFILE 2.2

Exxaro is a South Africa-based mining group, listed on the JSE Limited, a constituent of the JSE's Top 40 index and one of the best-performing constituents of the JSE's Socially Responsible Investment index. At year end, Exxaro had assets of R37 billion and a market capitalisation of R60 billion (US$7 billion).

Exxaro has a diverse and world-class commodity portfolio in coal, mineral sands, base metals and ferroalloys, and growing exposure to iron ore through its interest in Sishen Iron Ore Company and acquisition of African Iron.

As the second-largest South African coal producer with capacity of 47 million tonnes per annum and the third-largest global producer of mineral sands, Exxaro provides a unique listed investment opportunity into these commodities.

### Values

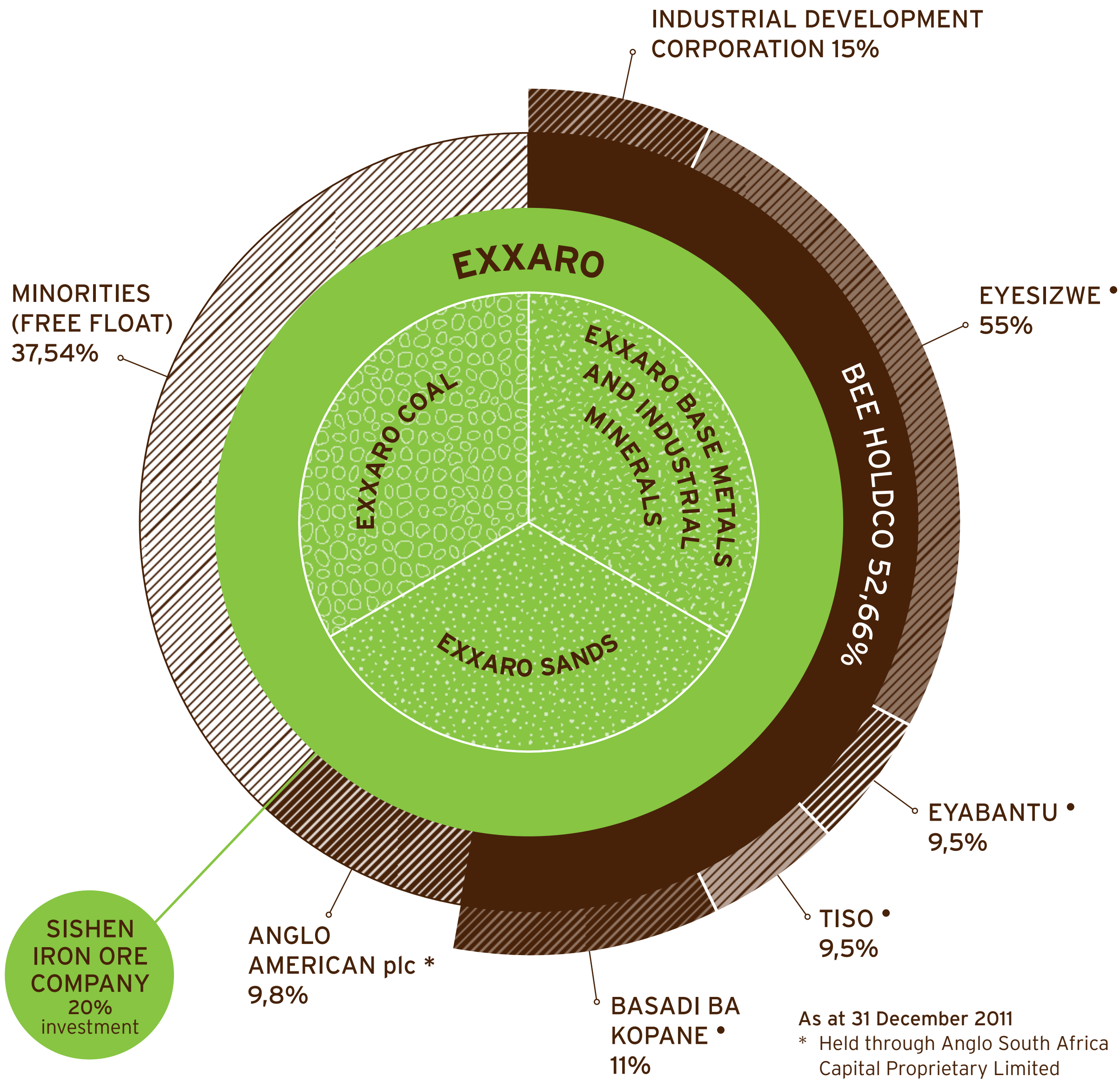
- Empowered to grow and contribute – developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.
- Teamwork – we succeed together through a climate of respect and equality.
- Committed to excellence – we take ownership, provide visible leadership and encourage collaboration, commitment and creativity for the benefit of all.
- Honest responsibility – we speak the truth and accept accountability for our actions.

### ABOUT THIS REPORT 3.5

Guided by global best-practice standards, including the International Integrated Reporting Committee, United Nations Global Compact, Global Reporting Initiative (GRI), King III and new legislation in South Africa, and ongoing consultation with stakeholders, Exxaro produces an integrated annual report summarising the group's economic, social and environmental performance.

The full sustainability report (Exxaro annual review 2011) is available on our website at www.exxaro.com or on CD on request. Electronic copies are supplied to shareholders who have selected that option by email or through our website. This report is only available in English.

We use GRI G3 standards to guide our reporting process and facilitate comparability. We have again rated our 2011 integrated and sustainability reports as B+ in terms of GRI. Through our evolving reporting process, we aim to move beyond a compliance approach towards a more challenging dialogue with our stakeholders that builds trust and adds value to our strategy for the benefit of all, with the aim of further informing our strategy and enhancing our relations with stakeholders.




As at 31 December 2011

* Held through Anglo South Africa Capital Proprietary Limited

• Special purpose vehicles for shareholders in our black-empowerment holding company

**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies Exxaro's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions, including, without limitation, risks related to the timing or ultimate completion of any proposed transactions; and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and Exxaro expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report.

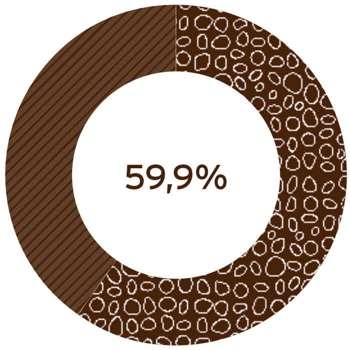
The financial information on which the forward-looking statements are based have not been audited nor reported on by the group's independent external auditors.

# COAL

Eight managed coal mines produce 42,2Mtpa of power station, steam and coking coal as well as char. All power station coal produced is supplied to the national power utility, Eskom, and municipal power stations.

Grootegeluk is one of the most-efficient mining operations in the world, and operates the world's largest coal beneficiation complex. There is a robust pipeline of greenfield and expansion projects under way that will culminate in Exxaro becoming one of the largest coal producers in South Africa. Exxaro also produces char and related products for the rapidly growing ferroalloys industry.

**REVENUE**




**2011**

R12 763 million

| | OPERATIONS | REGIONAL LOCATION | OWNERSHIP[1] |
|---|---|---|---|
| 1 | Grootegeluk mine | Limpopo | Exxaro Coal Proprietary Limited |
| 2 | Leeuwpan mine | Mpumalanga | Exxaro Coal Proprietary Limited |
| 3 | Tshikondeni mine | Limpopo | Exxaro Coal Proprietary Limited |
| 4 | Mafube coal | Mpumalanga | Exxaro Coal Proprietary Limited |
| 5 | Mafube joint venture (JV)[2] | Mpumalanga | Joint venture of Exxaro Coal Mpumalanga Proprietary Limited (50%) |
| 6 | Inyanda mine | Mpumalanga | Exxaro Coal Proprietary Limited |
| 7 | Exxaro reductants | Limpopo | Exxaro Coal Proprietary Limited |
| 8 | Arnot mine | Mpumalanga | Exxaro Coal Mpumalanga Proprietary Limited |
| 9 | Matla mine | Mpumalanga | Exxaro Coal Mpumalanga Proprietary Limited |
| 10 | New Clydesdale mine | Mpumalanga | Exxaro Coal Mpumalanga Proprietary Limited |
| 11 | North Block Complex | Mpumalanga | Exxaro Coal Mpumalanga Proprietary Limited |

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*2 Sales tonnages reflect the group's interest in the relevant subsidiary, joint venture or associate.*
*3 Export sales denote sales in any country other than South Africa.*

## CONTRIBUTING TO SUSTAINABLE COAL SUPPLY FROM THE WATERBERG

### LOGISTICS

Exxaro fully supports Transnet's initiative to develop and expand the rail network in South and southern Africa.

However, given the significant demands on other sections of the rail network, it is vital that Transnet prioritises its planned expansions, and ensures these are supported by detailed business cases so that financial closure can be achieved as soon as possible.

Just as critical, if not more so, is a commitment from the government to provide adequate water supply into the Waterberg region.

A joint initiative between national and provincial government, Eskom and coal producers is currently examining various options to deliver water to the region. Financial commitments from Eskom and the coal producers, hopefully underpinned by the government, will be required to secure funding for this costly infrastructural investment.

The successful future development of the Waterberg depends on coal being supplied to the export market, Eskom, independent power producers and certain domestic markets.

To ensure adequate financial returns from projects in the geologically challenged Waterberg region, coal producers need to finely balance their production and coal qualities, with the returns on exports allowing for cost-effective production of power station coal; the so-called multi-product mines.

Eskom is already planning to source significant volumes of coal


| PRODUCTS | PRODUCTION FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES | 2010 000 TONNES | 2009 000 TONNES | SALES FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES | % EXPORT[3] |
|---|---|---|---|---|---|
| Power station coal (Eskom) | **14 909** | 14 294 | 15 324 | **14 668** | |
| Semi-soft coking coal | **1 862** | 2 419 | 2 020 | **1 442** | **35** |
| Steam coal | **1 460** | 1 441 | 1 207 | **1 834** | **1** |
| Power station coal (Eskom) | **2 151** | 1 688 | 1 247 | **2 311** | |
| Steam coal | **1 879** | 1 408 | 1 259 | **1 741** | **21** |
| Coking coal (ArcelorMittal South Africa Limited) | **299** | 285 | 268 | **325** | |
| Steam coal | | | | **1 501** | **100** |
| Power station coal (Eskom) | **766** | 1 020 | 683 | **620** | |
| Steam coal | **1 371** | 1 327 | 816 | | |
| Steam coal | **1 918** | 1 779 | 1 843 | **1 994** | **84** |
| Char | **142** | 114 | 38 | **129** | |
| Power station coal (Eskom) | **2 291** | 4 173 | 5 213 | **2 291** | |
| Power station coal (Eskom) | **10 150** | 12 288 | 11 273 | **10 152** | |
| Power station coal (Eskom) | | | | **50** | |
| Steam coal | **628** | 850 | 822 | **675** | **100** |
| Power station coal (Eskom) | **2 265** | 2 674 | 2 822 | **2 209** | |
| Steam coal | **81** | 697 | 691 | **56** | |

from the Waterberg in the short term for its Mpumalanga power stations; there is thus a direct link between the security of coal supply to meet South Africa's future energy demands and the imperatives of Waterberg coal producers to be able to export sufficient volumes.

Therefore it is critical for Exxaro and other resource owners in the Waterberg region to have access to an effective and efficient export channel so as to be able to secure funding for planned projects.

The performance of the Waterberg rail system – infrastructure and rolling stock – has been discussed with Transnet Freight Rail executives, with a range of solutions being developed to increase performance. Improvements have already been noted.

Exxaro's vision is to be able to transport ~30Mtpa of product, by rail, from its Waterberg operations over the medium to long term (~2025), with export volume comprising a significant component of these volumes.

## GROOTEGELUK MEDUPI EXPANSION PROJECT (GMEP)

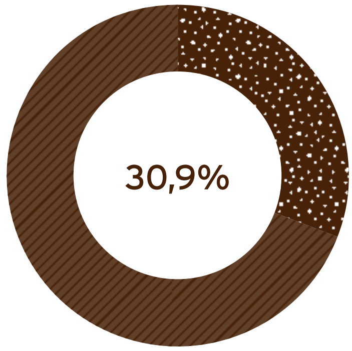
Construction on GMEP to supply Eskom with 14,6Mtpa of coal for Medupi power station, continues to progress to deliver first coal in May 2012 and is expected to be completed within budget. Overall project progress has increased to 72% completion. The total project spend to date is R4,4 billion with total capital expenditure for the project still forecast at R9,5 billion. Total funds committed to date amount to approximately R6,5 billion.

# MINERAL SANDS

Exxaro's South African mineral sands operations include KZN Sands and the Western Cape operations of Namakwa Sands. In Australia, our interests are housed in Australia Sands, whose principal asset is the Tiwest joint venture with Tronox Incorporated.

Exxaro is one of the world's largest suppliers of titanium dioxide feedstock and zircon. Collectively, the group's mineral sands operations produced 330kt of slag, 195kt of zircon, 110kt of synthetic rutile and 76kt of pigment in 2011.

**REVENUE**




**2011**

**R6 587 million**

| | OPERATIONS | REGIONAL LOCATION | OWNERSHIP[1] |
|---|---|---|---|
| 12 | KZN Sands | KwaZulu-Natal | Subsidiary of Exxaro Resources Ltd and division of Exxaro TSA Sands Proprietary Limited and Exxaro Sands Proprietary Limited |
| 13 | Namakwa Sands | Western Cape | Exxaro TSA Sands Proprietary Limited |
| 14 | Australia Sands[2] | Australia | Subsidiary of Exxaro Resources Limited which owns 50% in the Tiwest joint venture |

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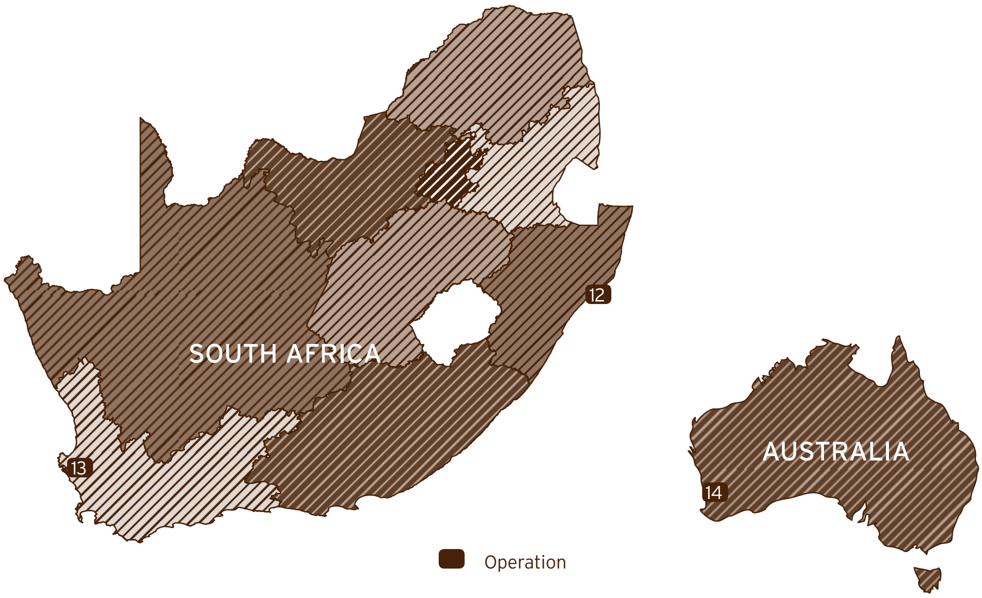
*3 Export sales denote sales in any country other than South Africa.*

## NEW TRONOX TRANSACTION

On 26 September 2011, Exxaro and Tronox Incorporated announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest joint venture with Tronox in Western Australia, along with 74% of Exxaro's KZN Sands and 74% of Namakwa Sands operations in South Africa, in exchange for a 38,5% shareholding in New Tronox. The long-term partnership is expected to enhance production capabilities and implement technical efficiencies in the integrated process, creating a truly global, vertically integrated titanium dioxide pigment producer. This is expected to result in a strong platform for future growth, uniquely positioned to capitalise on favourable market dynamics and to serve the needs of the ever-growing pigment and zircon customer base across the globe. The transaction is expected to close in the second quarter of 2012 following New Tronox shareholder and regulatory approvals.




| PRODUCTS | PRODUCTION FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES | 2010 000 TONNES | 2009 000 TONNES | SALES FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES | % EXPORT[3] |
|---|---|---|---|---|---|
| Ilmenite | **168** | 236 | 368 | | |
| Zircon | **28** | 33 | 36 | **25** | **84** |
| Rutile | **17** | 17 | 20 | **15** | **96** |
| Pig iron | **51** | 71 | 108 | **63** | **80** |
| Scrap iron | **7** | 12 | 15 | **3** | |
| Chloride slag | **129** | 113 | 104 | **125** | **100** |
| Sulphate slag | **22** | 29 | 24 | **27** | **100** |
| Ilmenite | **377** | 251 | 244 | | |
| Zircon | **135** | 128 | 116 | **120** | **99** |
| Rutile | **31** | 28 | 26 | **33** | **100** |
| Pig iron | **109** | 82 | 73 | **107** | **86** |
| Scrap iron | **1** | | | **1** | |
| Chloride slag | **152** | 119 | 97 | **149** | **100** |
| Sulphate slag | **27** | 23 | 20 | **23** | **100** |
| Ilmenite | **226** | 231 | 207 | **15** | **100** |
| Zircon | **32** | 35 | 33 | **28** | **100** |
| Rutile | **19** | 18 | 16 | **18** | **100** |
| Synthetic rutile | **110** | 90 | 109 | **37** | **100** |
| Leucoxene | **10** | 13 | 14 | **8** | **99** |
| Pigment | **76** | 57 | 53 | **71** | **100** |

*

## EXPANSION STRATEGY

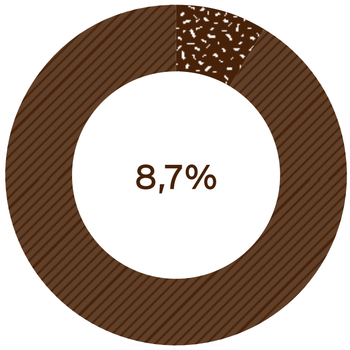
Last year, we announced that the new R2,45 billion Fairbreeze mine would go ahead at our KZN Sands operation after being postponed by the global economic crisis. Fairbreeze, south of Mtunzini, will replace feedstock production from Hillendale mine which is expected to end full production in 2012.

The new mine will preserve over 1 000 permanent and contractor positions at KZN Sands, and about 1 000 indirect jobs. Fairbreeze will generate some R300 million in salaries per year, and procure around R530 million worth of services and products, with more than half spent with BEE companies – important revenue for the region.

# BASE METALS

The Rosh Pinah zinc/lead mine in southern Namibia and Zincor refinery in Gauteng are among the few integrated zinc mining and refinery operations worldwide. Exxaro has an interest in the Chifeng zinc refinery in China. In 2011, Rosh Pinah and Zincor produced 89kt of zinc concentrate, and 73kt of zinc metal respectively. In line with Exxaro's strategy to divest from its zinc assets, Exxaro announced the pending sale of Rosh Pinah subject to customary terms and conditions in December 2011, and production of zinc ceased at Zincor in December 2011.

**REVENUE**




**2011**

**R1 846 million**

| | OPERATIONS | REGIONAL LOCATION | OWNERSHIP[1] |
|---|---|---|---|
| 15 | Zincor refinery | Gauteng | Exxaro Base Metals Proprietary Limited |
| 16 | Rosh Pinah mine | Namibia | Subsidiary of Exxaro Base Metals (Namibia) Proprietary Limited (50,04%) |
| 17 | Chifeng refinery[2] | China | Associate (22%) |
| 18 | Black Mountain Mining Proprietary Limited[2] | Northern Cape | Associate (26%) |
| 19 | FerroAlloys | Gauteng | Subsidiary of Exxaro Resources Limited |

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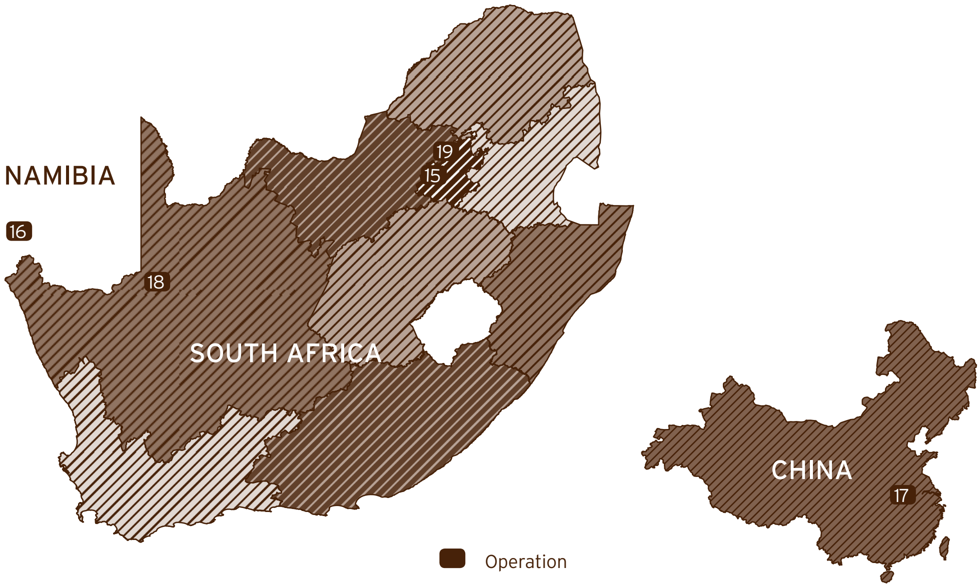
## IMPROVING EXXARO'S PORTFOLIO

In 2011 Exxaro announced the pending sale of its entire 50,04% shareholding in Rosh Pinah Zinc Corporation, to a subsidiary of Glencore. Glencore (a global commodities company based in Switzerland) has also concluded an agreement with certain other shareholders of Rosh Pinah to acquire a further 30,04%. PE Minerals, Jaguar and the Rosh Pinah Employee Empowerment Participation Scheme Trust will hold the remaining 19,92%. Although only announced in December, the sale has been pending for some time, following Exxaro's 2009 decision to divest its zinc assets to focus on its larger core assets in the coal and mineral sands industry. This, and the decision to cease production at Zincor, was made in the context of difficult conditions in the zinc market, including its cyclical nature and low margins, the significant impact of the exchange rate and higher electricity prices.

Operation at the Zincor refinery in Springs, Gauteng, officially ended on 31 December 2011, some five months after Exxaro announced its in-principle decision to permanently cease production. The cessation of production occurred following an intensive 60-day consultation period with labour unions, as well as concerted efforts to assist the 796 affected employees with fair retrenchment packages, training courses to acquire new skills, and special consideration for vacancies in the group.

Exxaro's remaining portfolio of zinc assets now includes a 26% interest in Black Mountain, which owns the Black Mountain zinc and lead mine and the Gamsberg zinc project; as well as an effective 22% interest in the Chifeng zinc smelter in China. The sale of Exxaro's shareholding in Chifeng is ongoing.




| PRODUCTS | PRODUCTION FOR YEAR ENDED 31 DECEMBER | | | SALES FOR YEAR ENDED 31 DECEMBER 2011 | |
|---|---|---|---|---|---|
| | 2011 000 TONNES | 2010 000 TONNES | 2009 000 TONNES | 000 TONNES | % EXPORT[3] |
| Zinc metal | 73 | 90 | 87 | 86 | |
| Sulphuric acid | 122 | 144 | 142 | 112 | |
| Zinc concentrate | 89 | 101 | 94 | 94 | 20 |
| Lead concentrate | 16 | 19 | 20 | 18 | 100 |
| Zinc metal | 28 | 30 | 29 | 28 | 100 |
| Sulphuric acid | 47 | 51 | 90 | 51 | 100 |
| Zinc concentrate | 19 | 19 | 14 | 20 | |
| Lead concentrate | 20 | 18 | 18 | 19 | 100 |
| Atomised ferrosilicon | 6 | 6 | 5 | 6 | |

# FERROUS

Exxaro holds 19,98% of Sishen Iron Ore Company Proprietary Limited. The company's three mines produce some 8,2Mtpa of lumpy and fine iron ore. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

**EQUITY INCOME**

**2011**

R4 456 million

(58% of attributable earnings)

| | OPERATIONS | REGIONAL LOCATION | OWNERSHIP[1] |
|---|---|---|---|
| 20 | Sishen and Kolomela mines[2] | Northern Cape | Sishen Iron Ore Company Proprietary Limited |
| 21 | Thabazimbi mine[2] | Limpopo | Sishen Iron Ore Company Proprietary Limited |

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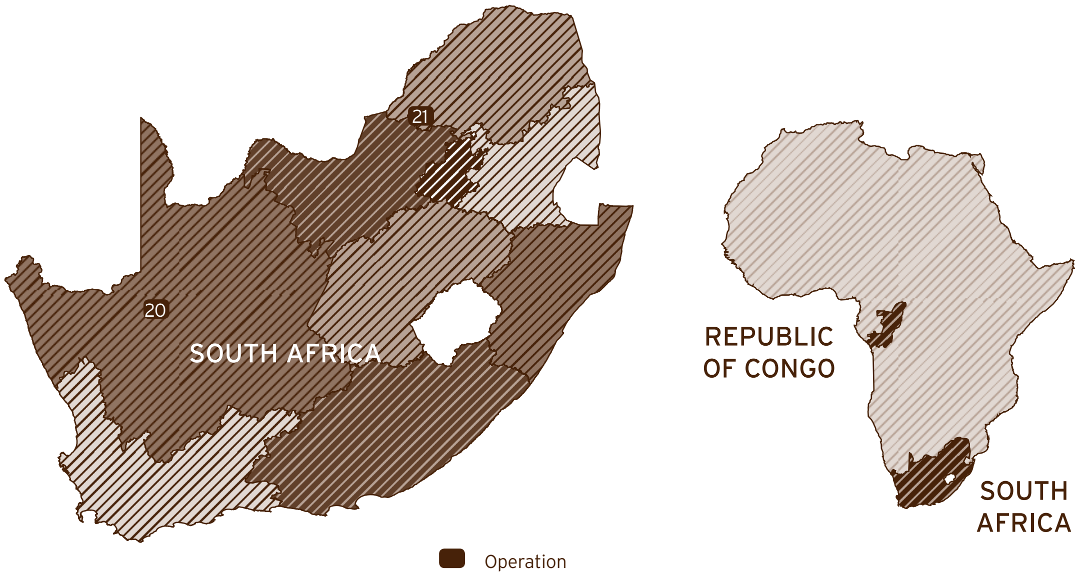
Subsequent to 31 December 2011, Exxaro acquired over 99% of African Iron Limited.

African Iron was an Australia-listed and -domiciled iron ore development company working on the exploration and evaluation of the Mayoko and Ngoubou-Ngoubou projects in the Republic of Congo in central West Africa. African Iron's projects are located in the Niari Prefecture, some 300km north-east of Pointe-Noire on the Atlantic Ocean. African Iron's key asset is its 92% interest in the Mayoko iron ore project.

The Mayoko project currently has a Jorc-compliant mineral resource of 121Mt of iron ore, consisting of a hematite cap of direct shipping ore (DSO) at 55% Fe and beneficiable DSO ore at 41% Fe. The Mayoko project represents a near-term development opportunity in an emerging iron ore province in central West Africa with an existing underutilised, heavy haulage mineral railway passing within 2km of the main prospect and terminating at the port of Pointe-Noire. African Iron's second iron ore opportunity is its 85% interest in the 944km$^2$ Ngoubou authority to prospect, contiguous with Mayoko.

## DIVERSIFYING EXXARO'S PORTFOLIO

The successful acquisition of a controlling interest in African Iron is consistent with Exxaro's strategy of expanding into the iron ore sector. We believe the fundamentals of iron ore are positive in the medium to long term and we have inhouse expertise and experience in mining bulk commodities. Exxaro has been actively pursuing opportunities to increase its exposure in iron ore and we believe this operation in the Republic of Congo, an iron ore development frontier, provides an attractive platform for further growth in the commodity.



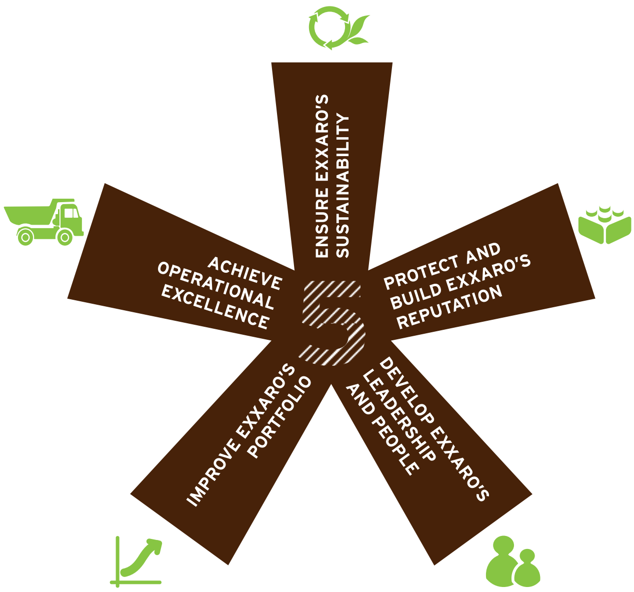

| | | PRODUCTION FOR YEAR ENDED 31 DECEMBER | | | SALES FOR YEAR ENDED 31 DECEMBER 2011 | |
|---|---|---|---|---|---|---|
| | PRODUCTS | 2011 000 TONNES | 2010 000 TONNES | 2009 000 TONNES | 000 TONNES | % EXPORT[3] |
| | Lump ore | **5 020** | 5 044 | 4 907 | **4 984** | **85** |
| | Fine ore | **3 045** | 3 224 | 2 970 | **3 450** | **92** |
| | Lump ore | **64** | 141 | 153 | **147** | |
| | Fine ore | **116** | 269 | 358 | **125** | |

Exxaro is committed to using its technical expertise and balance sheet to accelerate the development of African Iron's projects and working closely together with other iron ore developing companies in this country.

# GROUP STRATEGY

To achieve our strategic target of becoming a US$20-billion company by 2020, we have set milestones to mark our progress: we need to be a global, diversified company with top-quartile returns; we will embrace the spirit of the mining charter in full by being an employer of choice and an agent for change in South Africa; we are structured for operational excellence, aiming to reduce our carbon footprint, improve on the safety and empowerment of our people, while being sustainable and relevant well into the future.

Exxaro has completed an extensive review of its strategy in the past two years, both as part of the Siyaya programme 19 and amid changing commodity markets worldwide. We clearly understand the group of the future and the steps that will take us to those goals. We have also articulated this strategy to our own people, to shareholders and, increasingly, to stakeholders.




**Enhance Exxaro's sustainability**
- Fully embrace the spirit of the mining charter
- Compliant and environmentally responsible
- Industry leader in transformation

**Protect and build Exxaro's reputation**
- Positive stakeholder engagement
- Compliant and transparent reporting
- Sound governance practices

**Develop Exxaro's leadership and people**
- Leadership development and interventions
- Cross-discipline exposure
- Empowered employees

**Improve Exxaro's portfolio**
- Focus on globally diversified portfolio
- Top-quartile returns in all four commodities
- Divest of non-core assets

**Achieve operational excellence**
- Be a low-cost producer
- Achieve safety and operational targets
- Realise continuous improvement potential

Our aspirations are underpinned by non-negotiable principles in terms of which Exxaro will:

- Endeavour to cause no harm
  - no fatalities or lost-time injuries
  - no adverse health effects on our employees and communities
  - environmentally responsible
- Honour our covenants
- Adhere to sound governance and corporate citizenship principles
- Uphold high standards of ethical behaviour
- Strive to leave a legacy in our communities.

**STRATEGIC PROGRESS**

Progress towards realising our strategy is detailed in the annual review on our website.

# PERFORMANCE

GRI K

## PERFORMANCE TARGETS

Exxaro's business objectives are measurable indicators of progress. At every level, and in different ways, our teams are accountable for these objectives.

| | | TARGET | | ACTUAL | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2012 | 2011 | 2011 | 2010 | 2009 | 2008 | 2007 |
| **FINANCIAL TARGETS**[1] | | | | | | | | |
| Return on equity (ROE) – attributable earnings (%) | | >25 | **>25** | 36 | 34 | 19 | 30 | 15 |
| Net operating margin (%) | | >20 | **>20** | 19 | 15 | 12 | 18 | 14 |
| Return on capital employed (ROCE) (%) | | >28 | **>28** | 43 | 38 | 25 | 36 | 23 |
| EBITDA interest cover (times) | | >4 | **>4** | 18 | 9 | 7 | 14 | 10 |
| **NON-FINANCIAL TARGETS** | | | | | | | | |
| **Safety**<br>– fatalities | ✓ | 0 | **0** | 3 | 2 | 3 | 5 | 5 |
| – lost-time injury frequency rate (per 200 000 hours worked) | ✓ | 0,15 | **0,21** | 0,20 | 0,25 | 0,33 | 0,39 | 0,36 |
| Safety, health and environmental certification (number)[2] | | 17 | **17** | 16 | 14 | 13 | 9 | 9 |
| Employment equity – management (%)[3] | | 40 | **40** | 41,3 | 50 | 48 | 42 | 36 |
| Functional literacy (%) (2014: 100)[4] | | 100 | **100** | 82 | 79 | 70 | | |
| HIV/Aids voluntary testing and counselling (%) (long-term target 95%) | | 85 | **75** | 82 | 70 | 58 | 64 | 30 |
| Human resources development (% spend of payroll) | | 5 | **5** | 5,7 | 3,8 | 5,0 | 5,2 | 6,5 |
| Learnerships[5] | | 400 | **340** | 397 | 379 | 691 | 678 | 408 |
| Procurement from HDSA companies (%) (2014: 56) | ✓ | 50 | **50** | 59 | 50 | 45 | 39 | 35 |
| Community development (% of net profit after tax)[6] | | >1,0 | **>1,0** | 1,4 | 2,5 | 1,8 | | |
| Energy efficiency (%)[7] | | 6,2 | **3** | 3,8 | | | | |
| BBBEE rating – level | | 4<br>(2013 – 3) | | 5 | | | | |
| HDSA ownership 2014 (%) | | 26 | | 52 | 52 | 52 | 56 | 56 |

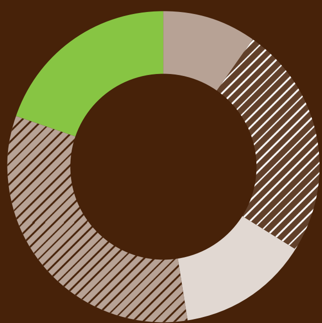
*1 Actual financial ratios disclosed exclude the impact of impairments.*
*2 Final operation under construction.*
*3 Employment equity target is based on compliance with the mining charter.*
*4 Below NQF level 1.*
*5 Learnerships include all disciplines, eg mining, engineering and plant. Average number in the system.*
*6 Funds expended by business units for implementation of social and labour plan projects.*
*7 Total cumulative target is 10% reduction from 2009 baseline by end 2012. Target for 2012 is 6,2%.*

✓ *Assured*

**PERFORMANCE TARGETS**

These performance targets are reviewed at least annually as part of the strategic review and adjusted where required.

**MPOWER BENEFIT TO EMPLOYEES**



In 2011, Exxaro employees received a pre-tax distribution of R1 billion.

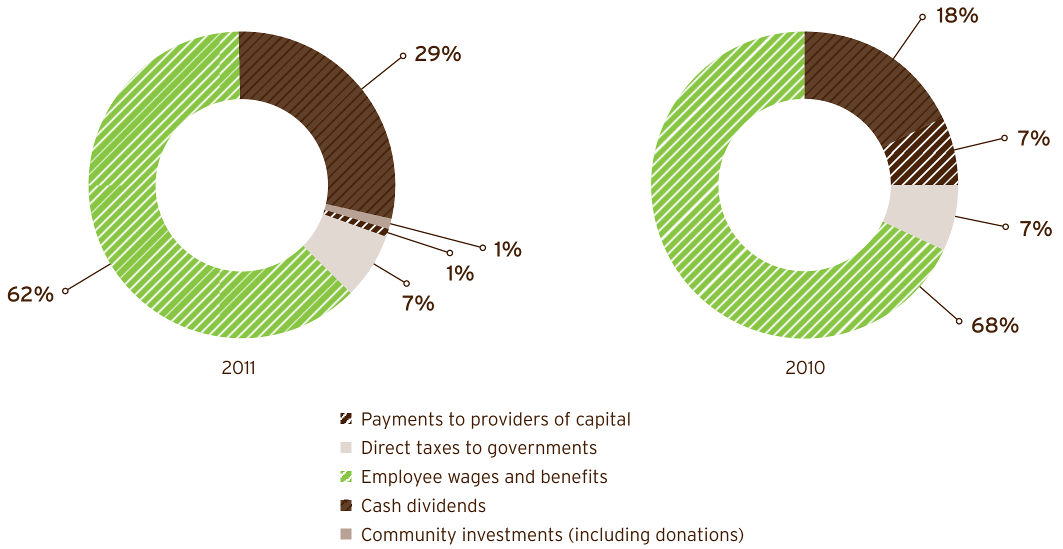
- 2007 dividend: R8 million
- 2008 dividend: R20 million
- 2009 dividend: R11 million
- 2010 dividend: R27 million
- 2011 dividend: R16 million

# KEY RATIOS

| UNAUDITED | AT 31 DECEMBER 2011 Rm | 2010 Rm |
|---|---|---|
| Ratios | | |
| **Profitability and asset management**[1] | | |
| Return on net assets (%) | **42** | 42 |
| **Return on ordinary shareholders' equity** | | |
| – Attributable earnings (%) | **36** | 34 |
| – Headline earnings (%) | **36** | 34 |
| Return on invested capital (%) | **34** | 31 |
| Return on capital employed (%) | **43** | 38 |
| Operating margin (%) | **19** | 15 |
| **Solvency and liquidity** | | |
| Net financing cost cover (times) – EBIT | **14** | 6 |
| Net financing cost cover (times) – EBITDA | **18** | 9 |
| Current ratio (times) | **1** | 2 |
| Net (cash)/debt to equity (%)[2] | **(1)** | 13 |
| Net (cash)/debt to earnings before interest, tax, depreciation and amortisation (times) | **(0,1)** | 0,6 |
| Number of years to repay interest-bearing debt | **1** | 1 |

1 *To achieve comparability, the impact of the R869 million impairment reversal of the KZN Sands property, plant and equipment and the R516 million impairment of the Zincor property, plant and equipment in 2011 have been excluded.*
2 *Ratio calculated excluding contingent liabilities of R1,198 million. If included, ratio would be 4% in 2011.*

**VALUE ADDED**




## CREATING WEALTH

The value-added statement 67 shows the wealth the group has created through mining, beneficiation, trading and investing operations. Exxaro generates and creates value for many stakeholders as follows:

- Exxaro's biggest asset: employees receive salaries/wages, bonuses and shares through a number of employee share schemes
- Governments of countries where Exxaro has operations receive taxes and royalty payments
- Communities in which we operate benefit through employment opportunities
- Suppliers and contractors are supported by procuring consumables, services and capital goods
- Shareholders receive a fair return on their investment through dividends and growth on the share price
- Exxaro has a number of corporate social investment initiatives
- To ensure sustainability and expansion, continuous and substantial reinvestment into the group is necessary.

The statement summarises total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount to be reinvested in replacing assets and developing operations.

# MATERIAL ISSUES

1.2 K

The full spectrum of Exxaro's material issues was identified and assessed through a robust enterprise risk management process, and prioritised by consulting with stakeholders using GRI guidelines. They are grouped and indexed according to Exxaro's strategic business risks where applicable, and cross-referenced to detailed explanations in this report as required.

## THE CHALLENGE: INTEGRATING SUSTAINABILITY INTO CORPORATE DECISION-MAKING

| | RISK | ISSUE | RESPONSE | PAGE |
|---|---|---|---|---|
| 1 | Maintain social licence to operate | Approval and implementation of local economic development projects and donations as per social and labour plans | Socio-economic funds to implement projects and donations totalled 1,4% of net profit after tax of managed operations in 2011. Total spending on socio-economic development projects, corporate commitment and donations was R42,3 million ✓<br>Exxaro allocated almost R13 million to small and micro enterprises and R14 million towards infrastructural development | 28 |
| | | **Material stewardship – green procurement**<br>Links to strategic sustainability – not managing the supply chain increases risk to health and safety of employees and could lead to severe damage to environment | Sustainable supply chain management introduced, reflecting close collaboration with suppliers. Mining charter targets exceeded – R4,9 billion of group procurement spend went to HDSA suppliers; 59% of the total discretionary procurement spend ✓ | 25 |
| 2 | Compliance to environmental legislation<br>Spanning licence to operate; duty to manage impacts responsibly; Exxaro's reputation at stake | **Hazardous waste management**<br>Targets will be confirmed in 2012 after approval of policy document<br>**Air quality management**<br>Quantifying impact of emissions from operations; managing non-compliance and ensuring continuous improvement. Focus includes dust from mining activities and smelter emissions<br>**Biodiversity management**<br>Conserving biodiversity-rich sections, eradicating and controlling alien invasive species | Comprehensive programme spanning biodiversity, waste and air quality launched in 2011 | 26 |
| | | Closure and rehabilitation | Consider third-party applications for mines in closure | 27 |
| | | Water management (see risk 5) | Continual review of rehabilitation assessments and implementation plans | |
| 3 | Regulatory approvals for projects | SHE (safety, health and environment) permits and authorisations | All mining rights applied for have been granted<br>Environmental management plans in place for all Exxaro operations<br>In 2011, five integrated water use licences were granted, with authorisation pending on eight applications (many Exxaro business units need more than one licence) ✓ | 27 |
| 4 | Infrastructure access | Misalignment of rail and port capacity. Additional infrastructure investment required | Collaboration with industry peers and government on plans to improve and expand logistical infrastructure | 2 |

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PROGRESS

**Significant strides in recent years towards mitigating these material issues include:**

- Sale of Rosh Pinah and cessation of zinc production at Zincor (an intensive energy user)
- Power use down 14% from 2008
- Over R200 million invested in socio-economic development

# MATERIAL ISSUES CONTINUED

| | RISK | ISSUE | RESPONSE | PAGE |
|---|---|---|---|---|
| 5 | Climate change | **Climate change and greenhouse gases**<br>Affects each operation differently depending on geographical location | Risks and related opportunities integrated into a climate change position statement and related response strategy elevated into Exxaro's business strategy | 27 |
| | | | Mitigation and adaptation strategies being examined in a pilot study at Grootegeluk. This will be rolled out to other sites in 2012 | |
| | | | Sponsoring university chairs to conduct research on how best businesses can adapt | 18 |
| | | | Exxaro's steady progress in addressing climate change recognised in its Carbon Disclosure Project (CDP) 2011 performance | 46 |
| | | **Water security and risk of flooding**<br>Some Mpumalanga operations have too much water which, if not managed, would severely affect production. Conversely, Lephalale in Limpopo (Grootegeluk mine) has too little water | Studies are under way to mitigate the risk of excess water. Resources have been budgeted to develop viable plans to treat used water<br>To mitigate risk of insufficient water, the Department of Water Affairs is building a pipeline from Mokolo Dam to Lephalale | |
| 6 | Acid mine drainage | Fresh water contamination | Monitoring, recycling, re-use and water treatment through technological advancements | 27 |
| 7 | Cost and availability of electricity | **Rising energy costs and efficiency**<br>Electricity costs have risen from R358 million in 2007 to R962 million in 2011 | Exxaro committed to reducing electricity use by 10% and reducing emissions by 2012. We are on track to meet these targets | 27 |
| 8 | Critical skills attraction and retention | Initiatives to address literacy and numeracy, ensure continuous focus on training and developing artisans, skills and leadership development, and removing development barriers | • Trade tests<br>• 111 adult basic education and training (ABET) learners in 2011<br>• 397 artisan learners at various stages of qualification<br>5,7% of total salaries and wages spent on human resources development. Our own technical training centres train artisans at a cost of R32 million per annum. Considerable investment in schools to ensure quality of learners | 25 |
| 9 | Geographical concentration of asset base | Risk mitigation required through diversified commodities and geographical footprint | Judicious pursuit of a diversified, yet complementary, set of commodities across the globe | 16, 30 |
| 10 | Resource nationalism | Any encumbrance in resources albeit through ownership constraints, taxation or other regulation | Influence decision-making through participation in recognised forums | 18 |
| 11 | Maintaining empowerment status | Mining charter target of at least 26% black ownership by 2014 | Largest black-owned, managed and controlled company on the JSE with 52,66% black ownership. Aiming to improve level 5 for BBBEE status to level 3 by 2013 | 1 |
| 12 | Currency and commodity price volatility | Exxaro is subject to the vagaries of currency and commodity price fluctuations | Continuous improvement and cost control to remain profitable despite macro-economic and price volatility | 34 |
| 13 | Cost competitiveness of Exxaro's commodities | Cost control is often the only manageable variable to protect margins | | |
| 14 | Fraud and corruption – external | To reduce the impact of fraud on the group's resources and ensure measures are in place to serve as a deterrent to perpetrating fraud | Zero-tolerance approach to fraud. Effective anonymous reporting hot line in place for several years. Managed by an ethics committee with access to experienced forensic team | 51 |
| 15 | Fraud and corruption – internal | | Zero-tolerance code of ethics with compliance monitored by ethics committee. Includes conflict-of-interest declarations and decisions | 51 |

# RISK MANAGEMENT

K 4

## MANAGEMENT APPROACH

In 2011 Exxaro implemented a revised risk management process to ensure alignment with all regulatory frameworks, standardise risk management practices across all functions and disciplines in the group, and to achieve integrated enterprise risk management governance by co-ordinating and integrating all associated activities.

Only an integrated approach will assist each component of the business to understand and mitigate critical risks.

In 2012 we will further embed the new framework. This will include support through appropriate technological enablement.

Risk champions have been appointed at all operations and service functions to oversee entrenchment of the revised process. This includes ensuring risk owners continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of their operating environment. In addition, risk champions coordinate risk management forums at business units and service functions which, in turn, escalate risks against defined parameters to similar forums at a consolidated commodity and group level.

The risk manager is responsible for reporting to the audit committee of the board on the risk management process and its outcome. In 2012, this reporting will fall within the ambit of the sustainability, risk and compliance committee of the board while financial risks will continue to be reported to the audit committee.

Exxaro's independent internal auditors provided assurance to the board on the effectiveness of the risk management process.

The table on 13 to 14 summarises the top 15 strategic risks for the group and our responses. The risks have been benchmarked against global surveys and correlated with risks identified at business units, service functions, and at commodity business level. Refer to website for details, including an assessment of risks at an inherent and residual level and the rationale for ranking risks according to a residual risk gap.

# CHAIRMAN'S STATEMENT

At the close of its first five years, Exxaro has convincingly demonstrated its sustainability in a global and changing mining industry. Record results for the 12 months to 31 December 2011 underscore the group's progress towards its strategic goals, commitment to exceeding compliance and communicating openly with stakeholders – reflected in numerous awards for the 2010 integrated annual report and top rankings in important external initiatives such as the Carbon Disclosure Project 47.

On behalf of the board of directors, I am pleased to report an encouraging improvement in our safety performance, despite three regrettable fatalities. For the first time, Exxaro has recorded a 24% increase in revenue of over R21,3 billion (2010: R17,2 billion) and attributable earnings of R7,65 billion.

During the review period, Exxaro also made solid progress towards becoming a diversified mining company by reducing its base metals business, announcing an international partnership to secure the future of its mineral sands operations and entering the iron ore market by acquiring African Iron Limited – mentioned under Strategy below and detailed in the growth reviews.

## SUSTAINABILITY

Safety remains a significant item on the agenda of every board meeting and an intrinsic part of our culture and sustainable development philosophy. We take responsibility for ensuring that we learn from each and every safety incident, and implement the necessary measures to further entrench safe behaviour.

We have intensified our focus on safety, with very pleasing performances from some operations 23 and a group lost-time injury frequency rate (LTIFR) that has almost halved since 2008. In the past four years, we have invested significantly in equipment to monitor and detect ground movement as well as personal protective equipment. Our target is to be fatality free and reduce year-on-year lost-time injuries by 30%, using visible felt leadership as a key driver of safety excellence and aiming for zero repeat incidents.

Regrettably, we recorded three fatalities in the first seven months of 2011. In 2012, Exxaro will implement further initiatives to enhance the current safety and risk assessment and control effectiveness drive. The average LTIFR per 200 000 man-hours worked improved to 0,20 from 0,25 in 2010, a 20% improvement year on year and better than the group's target of 0,21. The board has set a challenging target of 0,15 for 2012 (28% improvement).

The 2011 HIV/Aids programme target for testing was 75%. This target was exceeded when 82% of employees, excluding contractors, underwent voluntary testing. The

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**STRATEGY**

Exxaro's growth initiatives are focused on diversifying the business further with carbon, reductants, ferrous and energy products aligned with the group's approved commodity strategy.

During the year your board also approved a number of major growth projects 30.

Moving to specific commodities, Exxaro's strategic thrusts are summarised on 30.

### COMMITMENT TO EXTERNAL INITIATIVES

As part of our goal of leadership in sustainability, Exxaro actively participates in initiatives that benefit both the industry and South Africa 18.

HIV prevalence rate is estimated at 12% of permanent employees (12,8% including contractors) compared to the industry average of 25%. Exxaro has trained 153 community peer educators around six of the Mpumalanga business units as part of the HIV community awareness programme. Training will be extended to business units in the Waterberg region in 2012.

In addition to integrated water use licences (IWULs) already granted in terms of National Water Act, No 36 of 1998, in 2011 five more IWULs were approved and five environmental authorisations granted in terms of the National Environmental Act, No 107 of 1998.

Exxaro's commitment to responsible environmental use gained further traction during the period with the launch of a comprehensive biodiversity, waste and air quality management programme. We have also improved our carbon footprint reporting from scope 1 and 2 to include scope 3 emissions – and the trend is downward on all three metrics 26.

## MARKET OVERVIEW

This year was a turbulent period for the world economy, characterised by disasters such as the devastating tsunami in Japan, political strife in the Middle East and North Africa, and continued uncertainty about the long-term recovery from the global economic downturn. They were intensified by rising oil and food prices and the ongoing sovereign debt crisis in Europe. Nevertheless, the South African economy maintained a steady, if modest, level of growth, with rising prices offset to a degree by a strong rand and relatively low interest rate for most of the year. This is covered more fully in the macro-economic and commodity review.

We have much to be proud of in South Africa. However, despite the generally positive mood engendered by the 2010 World Cup success and the legacy of improved infrastructure, for many in South Africa, rising expectations still contrast starkly with the harshness of daily life. Over the past 18 months, reality set in as South Africa faced protracted public-service unrest, numerous labour actions and service-delivery protests. These have unfortunately had an impact on the South African economy, not least through extensive damage to property and the cost of interruptions to business. More concerning domestically, perhaps, is that this reflects mounting discontent at the level of service delivery in certain areas, coupled to ever-present rumblings about corruption and perception of increasing rather than decreasing social inequality, despite government's focus on job creation and increased social spending.

The ability of the private sector to mitigate some of these issues is evident across the country, and Exxaro willingly accepts its role as a responsible citizen. Examples of this role in action appear throughout this report and on our website.

## OPERATIONS

Our achievements in production and sales volumes from our managed businesses are covered on 2 to 9 and detailed in the financial and operational review on 34.

## TRANSFORMATION

Exxaro's transformation policy subscribes to the Business Equity guideline of supporting equity and gain-sharing participation in the business by designated groups through preferential procurement and enterprise development. At Exxaro, all levels of the company are beginning to reflect the country's demographics. Accordingly training, skills transfer and mentorship are important pillars of the effort to ensure Exxaro continues to represent South Africa's people in both its structure and functioning.

When Exxaro was created in November 2006 following the unbundling of Kumba Resources, an employee share scheme, Mpower, was established as part of the group's commitment to broad-based ownership. Only employees up to lower management level qualified to benefit from the scheme as middle and senior management participate in other share incentives plans. Mpower held around 3% of Exxaro's issued shares, with each of the 9 694 beneficiaries' assigned units notionally linked to shares held by the scheme. Shares held by Mpower were sold in the last quarter of 2011, generating over R1 billion for distribution among beneficiaries. The distribution varied, depending on the number of units assigned; in turn based on individual length of Mpower membership. Each beneficiary who participated for the full five years

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### STRATEGIC SCORECARD FOR 2011

| | FOCUS AREA | STATUS |
|---|---|---|
| General | Enable better cooperation in the South African mining industry | → |
| Services | Implement Siyaya project as planned | √ |
| | Deliver GMEP project on time and within budget | → |
| Human resources | Establish new employee share option scheme | √ |
| | Successfully execute Siyaya workforce transition | → |
| SHEC | Achieve environmental compliance at all operations | √ |
| | Develop and implement an integrated water management system | √ |
| Sands and base metals | Ensure successful delivery of Fairbreeze project | → |
| | Conclude zinc divestment | √ |
| Growth | Incorporate new iron ore opportunity into current business | √ |
| | Identify and accelerate copper/PGM opportunity | → |

→ Progress √ Complete

# CHAIRMAN'S STATEMENT CONTINUED

of the scheme received a pre-tax distribution of R135 102. In addition to this distribution, Mpower has already paid R81,5 million in dividends to participants. Total dividends to our BEE shareholders over the past five years were R3,8 billion at the end of 2011.

In line with our corporate responsibility to redress imbalances of the past, Exxaro adheres to the principles of black economic empowerment in procuring goods and services and enterprise development, addressing BEE through professional appointments, social responsibility programmes, skills development programmes, enterprise development and preferential procurement.

Exxaro also gives preference to historically disadvantaged candidates, while always ensuring this is done within a framework of sound business and procurement principles.

For 2012, Exxaro will concentrate on improving its broad-based black economic empowerment rating from the current level 5 to level 4 by year end, and level 3 by 2013. This will comply with both the letter and spirit of transformation legislation in South Africa, and is an appropriate focus for a group that does significant business with state utilities. As most of the required elements are in place, we anticipate achieving these targets on schedule.

## CHANGES TO THE BOARD

Ms N Langeni resigned as non-executive director effective 18 January 2012. The board expressed its sincere appreciation for her contribution during her term of office. As a result of this resignation, Ms S Dakile-Hlongwane was appointed as non-executive director on 21 February 2012, as the Basadi Ba Kopane Investments Proprietary Limited nominated representative.

Marie Viljoen, company secretary of first Kumba Resources Limited and then Exxaro since August 2001, retired on 30 June 2011. The board expressed its sincere appreciation for her service during her term of office. The board of directors appointed Carina Wessels as group company secretary from 1 July 2011. Carina holds LLB and LLM degrees, is an admitted advocate of the High Court of South Africa, and a fellow and senior vice-president of Chartered Secretaries Southern Africa.

## CORPORATE GOVERNANCE

Matters of governance have become critical issues for shareholders around the globe.

We have put in place the highest standards of governance and we continue to review and amend these as required in light of new and proposed governance, legislation and recommendations in South Africa.

Exxaro remains committed to going beyond mere compliance through excellent corporate governance practices and through operating at the highest level of integrity. The structure of the board reflects this and several committees are in place to provide appropriate checks and balances and to ensure best-practice governance throughout the company; these include the audit committee, sustainability, risk and compliance committee, remuneration and nomination committee and, the most recent addition, the social and ethics committee. Exxaro also subscribes to governance requirements set out in the King reports and adheres to those set out the Companies Act, No 71 of 2008, as amended.

Each director brings independent character and judgement to the role. Board and committee meetings are characterised by robust, constructive debate, based on high-quality reporting from management, and the board keeps its performance and core governance principles under regular review. I am most grateful to my board colleagues, not only for maintaining these principles but for their wise oversight of the business and ongoing guidance and support.

During the year, the group implemented recommendations from the external expert's analysis of its board and committee practices. We also conducted detailed evaluations of the effectiveness of the board and committees of Exxaro. I am pleased to report that these

| INITIATIVE | PURPOSE | PROGRESS |
|---|---|---|
| Community health project | To create HIV awareness and encourage HIV testing in communities surrounding our business units. We aim to create an environment that has no stigma against people living with HIV/Aids | Projects initiated at Arnot, Leeuwpan and North Block Complex in 2010. This was followed by Inyanda, Matla and New Clydesdale in 2011<br>In 2012, three more business units will implement this initiative |
| Exxaro chair in earth science at University of Pretoria | Encourage research and dialogue | Support initiated until 2013 |
| University of Pretoria community-based project module | Compulsory community module for 2nd year engineering students | Student support of community projects run by business units |
| Exxaro chair in business and climate change at Unisa | Encourage research and dialogue | Support renewed until 2015 |
| Exxaro chair for global change and sustainability at Wits | Promote thought leadership | New support to 2013 |
| Exxaro chair in business and biodiversity at University of Pretoria | Research, advocacy and training on biodiversity issues | Support until 2015 |
| Mineral Education Trust Fund | Pool industry resources to support tertiary education in the South African minerals industry and jointly seek solutions to related challenges | Annual contribution of over R2 million |
| National Business Initiative | To ensure a coordinated response to issues such as climate change and water | Corporate membership<br>Exxaro participates in the Carbon Disclosure Project (CDP) programme for energy and water to ensure responsible stewardship |
| People development initiative | Bridging year to prepare students for tertiary education in mining-related studies | Annual funding of over R2 million |

evaluations confirmed Exxaro's adherence to sound corporate governance practices.

## CONVERSION OF MINING RIGHTS

All Exxaro's old-order mining licences have been converted to mining rights. The converted mining rights for Grootegeluk and Gravelotte were executed in the second half of 2011. The Department of Mineral Resources has confirmed the granting of converted mining rights for Tshikondeni, Matla, Strathrae, Arnot and Glisa. These rights still need to be scheduled for execution by the department. Exxaro consults continuously with the different regional offices of the Department of Mineral Resources to expedite the execution process.

## BROADER PARTICIPATION

As a stakeholder in the mining industry, Exxaro actively participates in shaping appropriate policies in South Africa through many channels, including:

- The Chamber of Mines
- National Energy Regulator of South Africa
- Energy Intensive Users Group
- National Electricity Response Team
- Energy efficiency accord through the technical committee facilitated by the National Business Institute (NBI)
- Industry energy policy-influence workshops
- World Wildlife Fund (WWF) round table event
- South African Chamber of Commerce and Industry's (SACCI) electricity dialogue
- SANBI (national body for biodiversity)
- Significant support for advocacy and research in critical areas such as climate change, biodiversity.

Exxaro is also involved in the initiatives of:

- South African Independent Power Producers Association
- (SAIPPA)
- Coaltech 2020
- Fossil Fuel Foundation
- Peace Parks Foundation
- SA Centre for Carbon Capture and Storage with international and local partners
- Clinton Foundation.

Exxaro's commitments to external initiatives are summarised on 18.

## APPRECIATION

I express my grateful appreciation to the Exxaro management and executive committee and all Exxaro employees for their contribution during an exciting albeit a difficult year. We must also pay tribute to our management for the numerous awards and accolades Exxaro has received for its integrated annual report, sustainability practices and reporting.

I extend a personal note of thanks to each of the non-executive directors for their invaluable commitment, support, contribution, guidance and encouragement throughout the past year.

On your behalf, I thank the Exxaro team, led by our chief executive officer, Sipho Nkosi, for another year of strong performance. I also thank you, our shareholders, for your continued support.

I am confident Exxaro will prosper in the year ahead and that it will continue to make an important contribution to our country's earnings, wealth, growth and development.

## OUTLOOK FOR 2012

The macro-economic review and commodity review on the following pages set out Exxaro's outlook for developments in these arenas.

**Dr Len Konar**
*Chairman*

27 March 2012

### REFINING OUR OPERATING MODEL FOR SUSTAINABILITY

We have spent two years developing a more appropriate operating model – moving from legacy structures and merger issues to a streamlined and focused group.

The Siyaya (Zulu for moving forward) programme involved restructuring Exxaro into an efficient, competitive and sustainable group, addressing three key aspects of our business:

- Return on capital employed
- Sustainability
- Operational excellence.

Operational structures and processes have been optimised, and a culture of continuous improvement is being entrenched against set financial and non-financial targets. A demand-driven service model and regional collaboration will help create a stronger platform for a sustainable business.

In addition, we examined the roles and responsibilities of functional areas within the group. The result is a corporate office that sets operational and financial targets, and drives standardisation, compliance, risk management and governance. Shared services have been redesigned to offer improved support to the group's operations and growth aspirations within a specific cost target.

# MACRO-ECONOMIC REVIEW

K 9

In 2011, major headwinds meant the global economic rebound of 2010 could not be sustained. Modest GDP (gross domestic product) growth of 3,0% was sharply lower than the 4,3% in 2010.

Advanced economies recorded anaemic growth in 2011, expanding by only 1,4% or half the pace of the previous year. Economic growth in emerging economies moderated in 2011, expanding by 6,2% against 7,2% in 2010. China and India recorded GDP growth of 9,2% and 6,8%, respectively, compared to 10,5% and 9,6% in 2010.

The distribution of world economic growth will remain uneven for some years. While economic expansion in emerging and developing economies is expected to be robust, albeit slower, advanced economies are projected to be below trend rates. In general, world economic growth is anticipated to decline moderately to 2,7% in 2012.

In China, an important market for Exxaro, economic expansion is expected to decelerate further to 8,1% in 2012. Aggregate growth in emerging markets is projected at 5,3% in 2012.

High debt levels in advanced economies are a major risk to the global economy's current fragile recovery. Contrary to consensus views of a soft landing, a possible hard landing in China would have a significant global impact, especially on commodity-exporting countries such as South Africa. The ever-present risk of a spike in oil prices will have a widespread negative impact on economic growth. Geopolitical risks in the Middle East, including Iran, could precipitate such a spike.

South Africa's GDP growth improved marginally from 2,9% in 2010 to 3,1% in 2011, spurred primarily by increased consumption, fixed investment and exports. High consumer debt levels should depress consumption growth in 2012, and weaker external markets will affect export growth. However, fixed investment is expected to be stronger in 2012. Together, these factors point to softer economic growth in 2012, projected at 2,9%. This is significantly below potential and the economy remains bedevilled by high wage costs, electricity shortages and above-inflation increases in tariffs, infrastructure bottlenecks, a relatively strong currency, skills shortages and uncertainty on future macro policies.

Reflecting increases mainly in labour costs and food and administered prices, South Africa's average annual consumer price index increased to 5,0% in 2011, after 4,3% in 2010. Expectations are that the inflation rate in 2012 will average 5,8%.

The rand strengthened from an average of 7,32 in 2010 to 7,25 in 2011. In 2012 the rand is expected to remain relatively strong at an average rate of 7,50 to the dollar, assuming debt problems in Europe are resolved. A strong rand will continue to put pressure on the earnings and competitiveness of exporters.

In 2011, the US dollar weakened by 1%-11% against the currencies of major commodity-exporting countries, reflecting accommodative monetary policy in the USA and investment flows into emerging markets. A weaker dollar resulted in actual commodity price increases in local currency units being lower than price rises achieved in dollar terms. It also put pressure on dollar-denominated cash costs of companies operating in these countries. The strengthening trend of the Chinese yuan against the US dollar continued, lowering the cost of commodity imports into China. In 2012, the dollar is expected to strengthen against the currencies of most major commodity-producing countries due to the debt crisis in Europe reducing investment flows to countries perceived as more risky, economically and politically.

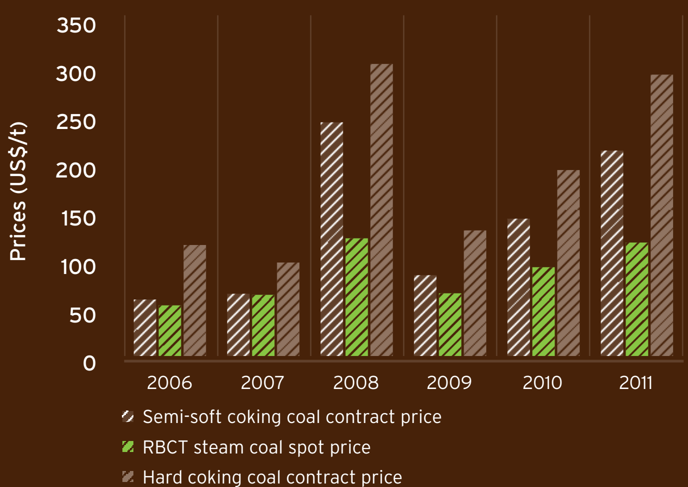
## COMMODITY REVIEW

In 2011, China continued to dominate robust global demand growth for mineral commodities. However, India is also making its influence felt, particularly with steam and coking coal imports. However, commodity demand expansion slowed towards the end of 2011 as credit conditions tightened in emerging economies. China continues to consume over 30% of world demand for almost all major mineral commodities.

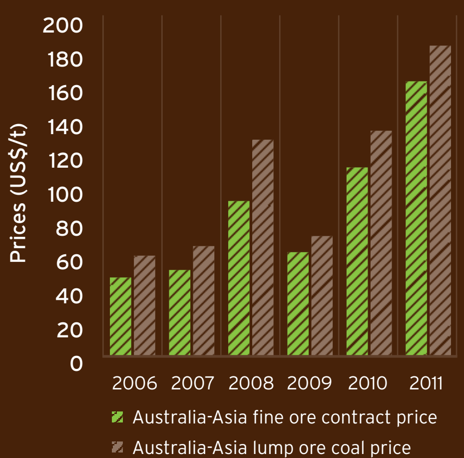
In 2011, commodity market conditions remained favourable and average prices for most mineral commodities improved from 2010:

- The London Metal Exchange (LME) weighted base metals index rose by 13% in 2011
- Average steel and stainless steel prices were higher by 13% and 9%, respectively

### NOMINAL HISTORICAL COAL PRICES




### NOMINAL HISTORICAL CONTRACT IRON ORE PRICES



- Average Brent crude oil price rose 41%
- Global crude steel production rose by 6,8% in 2011 to 1 527Mt (8,9% in China, 7,1% in the USA and 4,6% in Europe). Growth is expected to continue in 2012, at around 6%, primarily driven by emerging economies
- The coking coal market remained structurally tight in 2011, because lower import requirements from Japan, India and China were balanced by lower exports from Australia. The average coking coal price in 2011 was US$289/t, 51% higher than 2010, but reached a more sustainable level of about US$230/t by year end. The average price in 2012 is expected to range between US$210/t and US$230/t
- The average Richards Bay spot steam coal price for 2011 was US$116,53/t, 28% higher than 2010. Demand from India and China saw imports rising by over 20% in these countries. Exports from Indonesia increased by over 10%. Exports from Australia recovered from weather-induced disruptions to end marginally higher than 2010. The average price for 2012, barring any supply disruptions, is expected to be lower than 2011, but still above US$100/t
- The monthly Chinese spot price for fine iron ore (62% Fe) averaged US$172/t in 2011, some 15% higher than 2010. Australian contract fine ore fob (free on board) prices rose 46% to US$161,3/t and lump ore by 38% to US$182,2/t
- Seaborne iron ore demand rose about 6% (mainly China) and supply by some 5% (mainly Australia). Overall, the seaborne market remained undersupplied. Both supply and demand are expected to grow by about 5% in 2012, with China leading demand growth and major supply expansions coming from Australia and Brazil. The average 2012 Australian fine iron ore price is expected to fall by 7%-14%, to US$140-150/t
- The average LME cash zinc price was US$2 191/t, some 2% above 2010. Zinc demand grew by about 7% in 2011. In 2012, refined zinc production is expected to expand by about 5% and demand by 6%, again primarily driven by China and other emerging economies. An average zinc price of some US$2 100/t is forecast for 2012. Realised zinc treatment charges should be similar to the US$217/t achieved in 2011
- Titanium dioxide feedstock producers were in an unusual position, moving from price takers to price makers given depleted inventories and tight supply/demand conditions, as well as capped legacy contracts starting to unwind. Average prices for chloride slag, synthetic rutile and bulk rutile increased by around 7%, 38% and 43%, respectively, in 2011. Capped contracts for chloride slag continued to moderate price increases. Due to rising feedstock prices, titanium dioxide pigment producers realised annual average price increases of about 38% in 2011. Given constrained supply in the first half of 2011 and healthy demand growth from China, average zircon prices almost doubled in 2011 but demand declined significantly in the fourth quarter. Tight market conditions in the titanium dioxide feedstock market are expected to continue in 2012 and prices to improve again. Zircon prices are expected to move sideways in the first part of 2012, with later price developments primarily depending on the Chinese housing market.

Mining costs rose significantly in 2011 due to strong commodity demand from emerging economies and deficient productive infrastructure. Higher energy, steel and other commodity prices, as well as services costs, added to price pressures, as did stronger producer currencies. These increases, along with generally lower grades and expensive infrastructure requirements, have significantly increased long-term incentive prices required to bring new projects on stream. Cost pressures are expected to persist in 2012.

Global bulk freight rates remained volatile in 2011, with the Baltic Dry Index ending the year some 6% lower than at the beginning. This trend extended into 2012. With more ships due for delivery in 2012, freight rates are expected to remain subdued.

According to the Metals Economics Group, estimated worldwide non-ferrous exploration spending surged by 50% to a record US$18,2 billion in 2011, following a similar increase in 2010. The major driver was persistently high commodity prices and greater access to financing for junior explorers. However, early-stage exploration, as opposed to late-stage and mine-site activities, was at a historical low, proportionally. In time, this will result in a scarcity of new development projects. Exploration expenditure is expected to continue rising in 2012, but at a lower rate.

**NOMINAL HISTORICAL $TiO_2$ PIGMENT, FEEDSTOCK AND ZIRCON PRICES (US$/t)**

# CEO'S REVIEW

In November 2011, Exxaro celebrated its fifth year, and we believe with just cause. In those first five years – and through tumultuous economic conditions – we made many things count. We prioritised diversity, collaboration, consistency and partnership. We pursued innovation with passion and integrity. We pledged responsibility, foresight and renewal. We placed the highest value on adapting our vision for the future and preserving our country's heritage. But, above all, we have done it with people in mind: our people who enable us to conduct business; our customers who recognise the care we put into meeting their needs; our shareholders and our other stakeholders who back us with their confidence. In the next five years, people will count even more and we look forward to the key role that all our stakeholders will play in the ongoing success of our company.

There has also been much change in the last five years, with more to come as we adapt to our new operating model and structures. While this restructuring has been necessary, it has caused anxiety among our people, particularly as Exxaro has performed so well since inception in 2006.

The rationale behind our restructuring is growth: we want to grow from a 70-billion rand company in 2011 to a 20-billion dollar (R145 billion) company in the next eight years. That requires triple-digit growth over the period. To achieve this, we must be flexible in the face of changing global economic and environmental conditions. Equally, as we grow, we must expect change as a group and as individuals.

Economic and technological developments in future may require refocusing on different areas of the business, or creating new businesses altogether. We are encouraging our people to view the future as an opportunity to develop their skills so that they will be ready for Exxaro's next evolution. As Exxaro grows and competes with global peers, so more career opportunities will open up, both in South Africa and internationally.

Being a US$20-billion company means Exxaro will be able to create substantial additional wealth, not only for our investors and other shareholders, but for all stakeholders and the South African economy.

## SALIENT FEATURES

### Financial performance

Exxaro has marked its fifth year with record results. Group consolidated revenue rose 24% to R21,3 billion, reflecting higher selling prices across our commodities, while group consolidated net operating profit, excluding impairments, rose 53% to R4 billion. Headline earnings were up 41% to R7,3 billion or 2 098 cents per share, from comparable 2010 earnings of R5,2 billion or 1 495 cents per share. Importantly, net debt of R2,2 billion in 2010 has reversed to net cash of R263 million at 31 December 2011.

The final declared dividend of 500 cents per share took the full-year dividend to 800 cents per share, a record for Exxaro and a five-year compound annual growth rate of 50%.

### Non-financial performance

Detailed reports on our performance in the areas of safety, health, environment, our people, procurement and community appear on our website.

APPROACH TO SUSTAINABILITY

## SAFETY

### HIGHLIGHTS

- Successful safety netting programme at Arnot reduces fall-of-ground risks
- LTIFR down 20% and marginally below target for 2011.

### LOWLIGHT

- Regrettably, three fatalities in the reporting period

The key generic risks facing our group range from limited hazard awareness to varied safety competency and non-adherence to corporate safety standards. Collectively, these may result in Exxaro being perceived as an unsafe business – which poses material risk to our sustainability.

Bi-annual CEO summits involve a range of stakeholders to identify key areas that will make a tangible difference to safety performance: consequence management, safety training, culture (the Exxaro safety way of life), mini-HIRA (hazard identification and risk assessment) and communication. With the support of government, Chamber of Mines and Exxaro's recognised unions, this focus on safety is producing tangible benefits. By year end, six sites had worked for 12 months without a lost-time injury and the group LTIFR had improved further.

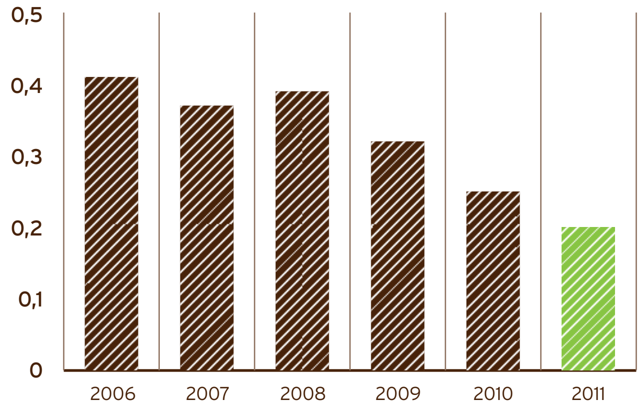
To maintain our OHSAS 18001 certifications, Exxaro committed R60 million over five years (2009 - 2013) to achieve safety targets:

| TARGET | ACTUAL |
|---|---|
| • Zero fatalities in the longer term and a 12-month fatality-free period in the short term | Actual performance for 2011: three fatalities |
| • 0,21 lost-time injury frequency rate for 2011; annual improvement of 30% | Actual for 2011: 0,20 |

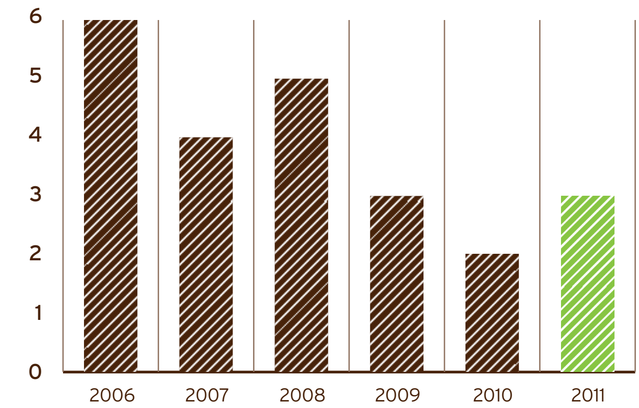
During the reporting period, no fines or sanctions for non-compliance with safety and health laws and regulations were imposed on any Exxaro operation.

In risk-specific terms, the leading cause of injury was lifting and materials handling. The safety of our people remains fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus.

**LOST-TIME INJURY FREQUENCY RATE**




**FATALITIES**




### ISO/OHSAS certification

All 16 operational business units now have international health and safety accreditation (OHSAS 18001) and environmental accreditation (ISO 14001). Certification is under way for the Grootegeluk Medupi expansion project, which is still under construction.

### MANAGEMENT APPROACH TO SUSTAINABILITY

Historically, sustainability has been defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Exxaro is further refining the broad framework of sustainability, taking into account its cross-functional nature which spans safety, health and environment, employee aspects (skills, training, etc), social aspects (trust, cooperation, communities, relationships, etc), technology, innovation and financial aspects.

Our aim is to obtain the most value from sustainability for all our stakeholders and to incorporate sustainability thinking throughout the organisation - from developing our business strategy to how we work and use our assets.

At a fundamental level, sustainability means balancing three overarching aspects of the business – economic, environmental and social – and integrating the requirements of each aspect into the group's planning, decision-making and operations to ensure our long-term viability.

In line with the World Business Council for Sustainable Development and other global benchmarks, sustainability is a critical thread woven through our broader strategy and the different areas of our business

- Eco-efficiency = reduced costs and optimal investment strategies
- Quality management = better risk management, greater responsiveness in volatile markets, more motivated and committed staff
- Licence to operate = lower costs of compliance, improved reputation with key stakeholders and greater influence with regulators
- Market advance = stronger brands, greater customer loyalty, lower cost of capital, new products and processes, attracting (and retaining) the right talent
- Sustainable profits = new business/ increased market share and enhanced shareholder value.

# CEO'S REVIEW CONTINUED

## HEALTH

### HIGHLIGHTS

- Management standards approved:
  - Reporting
  - Medical surveillance
  - Tuberculosis management
  - Hazardous chemical substances

- Management standards developed:
  - Return to work
  - Disability management
  - Sick note management
  - Fatigue management guideline
  - Pregnancy and breastfeeding guideline
  - Substance abuse policy

Implementation of these guidelines and policies will contribute to better managing employee health.

### Targets

- Reduce noise-induced hearing loss (NIHL) to less than 10% loss of hearing (shift from baseline) per individual by 2013
- Reduce compensation costs for occupational diseases
- Maintain prevalence of HIV below industry norm
- Raise awareness of health and hygiene programme.

### Occupational diseases

In 2011, Exxaro reported 135 occupational diseases (2010: 89): this is an early indicator of the possible occupational disease burden. These were occupational TB (51); NIHL (46); pneumoconiosis (31); dermatitis (2); chronic obstructive airway disease (2); asbestosis (1) and asthma (2). Tracking this data indicates potential compensable cases and provides an opportunity to reinforce preventive programmes, summarised below.

- There has been a marginal increase in reporting and monitoring early cases of NIHL. The MOSH hearing protection devices (HPD) selection tool has been provided to all operations
- An initial assessment of the TB control programme was done in 2011 to assess the adequacy of facilities for medical surveillance, TB detection and treatment as well as compensation of occupational TB. This will be conducted at three more business units in 2012.

### HIV/Aids

The prevalence of HIV/Aids across Exxaro is currently estimated at under 13%, compared to 25% across the industry. Exxaro will strive to maintain the prevalence of HIV/Aids below the industry norm. At the end of 2011, we had met our target of a 75% testing rate for HIV, reflecting the impact of extensive campaigns to inform and counsel employees ahead of testing. Our target for 2012 is to have 85% of our employees participate in voluntary counselling and testing. In addition, 258 peer educators and 153 community peer educators had been trained.

### EMPLOYMENT EQUITY

la13

| | MALE | | | | FEMALE | | | | FOREIGN | | *TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | C | I | W | A | C | I | W | M | F | |
| Top management | 2 | | 1 | 3 | | | | | | | 6 |
| Senior management | 11 | 2 | 5 | 69 | 3 | | 1 | 6 | 1 | | 97 |
| Professional, specialists and middle management | 214 | 35 | 37 | 484 | 70 | 13 | 22 | 129 | 6 | | 1 004 |
| Skilled technical, academically qualified and junior management | 1 290 | 210 | 52 | 1 188 | 231 | 58 | 22 | 333 | 11 | 1 | 3 384 |
| Semi-skilled and discretionary decision-making | 3 456 | 448 | 10 | 269 | 337 | 70 | 10 | 50 | 65 | | 4 650 |
| Unskilled and defined decision-making | 828 | 1 | | 26 | 141 | 2 | | 4 | 3 | | 1 002 |
| Total permanent | 5 801 | 696 | 105 | 2 039 | 782 | 143 | 55 | 522 | 86 | 1 | 10 143 |
| Temporary employees | 21 | | 2 | 9 | 12 | 4 | | 18 | | | |
| **Total** | 5 822 | 696 | 107 | 2 048 | 794 | 147 | 55 | 540 | | | 10 209 |

*A – African, I – Indian, C – Coloured, W – White.* *Excludes international employees and local nationals in Australia* ** Total exclude foreigners but include fix term employees*

## PEOPLE

### HIGHLIGHTS

- Mpower: In December 2011, employees shared in the capital appreciation of the Exxaro share price when this scheme was unwound after the stipulated five-year period, and 9 694 employees each received a pre-tax contribution of over R135 000 in a R1 billion payout, after appropriate training on managing these funds

- Exxaro enrolled 1 000 jobless youth on various bursary programmes, skills programmes, learnerships and internships in 2011.

Exxaro employs 10 513 people (78% in the bargaining unit and the balance in the management and specialised category).

Our employment equity statistics show that Exxaro exceeds mining charter targets at a consolidated level for 2011. The average employee turnover rate in 2011 was 11% (2010: 6%), primarily because of death, resignation, dismissals and disability. Over 80% of our workforce is literate and during the review period we spent R4,4 million on adult basic education and training.

Training and development is an ongoing priority. We focus on empowering all staff with the knowledge and skills they need to develop personally and help us grow the company for the benefit of all. In 2011, 10 850 Exxaro employees completed relevant development training. Our policy is to invest an appropriate amount of total payroll each year on human resource development. In 2011, this was 5,7% or an investment of R225 million (2010: 3,8% or R140 million). This includes once-off training costs during Siyaya and the Zincor retrenchments.

During the year, we continued our broader focus on skills development, enrolling 175 new engineering learners, eight mining learners, 14 operator learners, and 19 plant learners for the Grootegeluk Medupi expansion project.

Our bridging programme granted 30 bursaries in 2011 to school-leavers from Exxaro communities interested in technical disciplines, and we supported 103 bursars studying at South African universities. In addition, 88 graduates are participating in our professionals-in-training programme to gain practical experience.

Almost 75% of our employees are represented by affiliated unions, primarily National Union of Mineworkers and Solidarity. We strive to maintain sound relations with our unions, although we did record a strike lasting one week at our Mpumalanga coal operations during the year. Two-year wage agreements were concluded with our major unions for most coal operations.

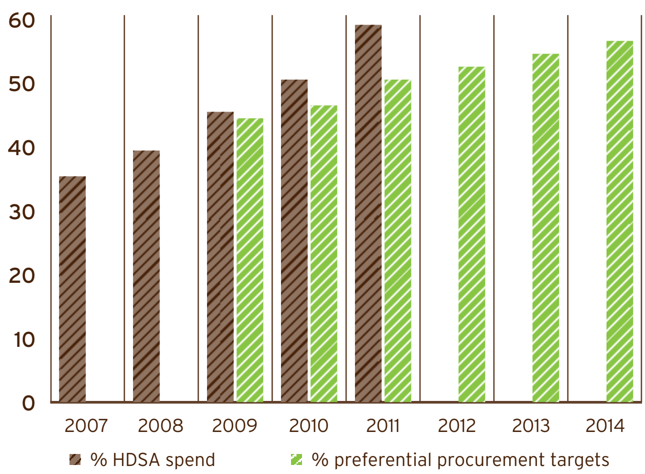
Exxaro is on track to meet 2014 mining charter requirements on housing. At year end, only 15 employees still resided in hostels.

## PROCUREMENT

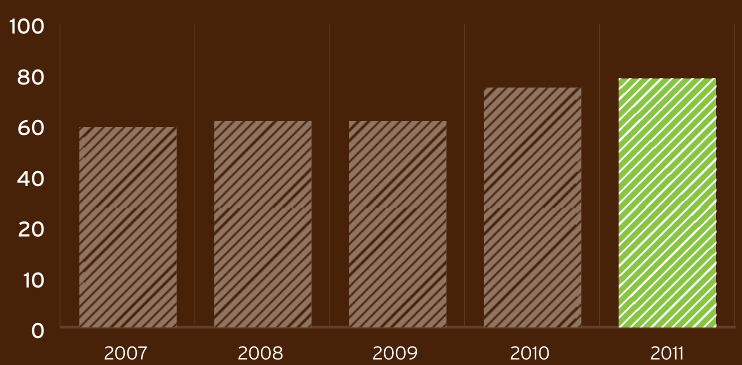
Exxaro's industry is characterised by long and complex production chains using high volumes of materials. Accordingly, we aim to improve efficiencies and sustainability throughout our procurement, production, use and disposal processes.

As required by the mining charter, our targets are broken down into expenditure on capital goods, operational goods and services. Our commitment to procuring from HDSA companies is reflected in the steady progression from 16% in 2004 to 59% (above the target of 50%) in 2011, representing discretionary expenditure of R4,9 billion.

**PROCUREMENT FROM HDSA SUPPLIERS**




**% OF EMPLOYEES WITH NQF LEVEL 1 QUALIFICATIONS AND ABOVE**



# CEO'S REVIEW CONTINUED

## ENVIRONMENT

### HIGHLIGHTS

- Integrated biodiversity, waste and air programme initiated in second half

- Exxaro among top performers in Carbon Disclosure Project and JSE Socially Responsible Investment index

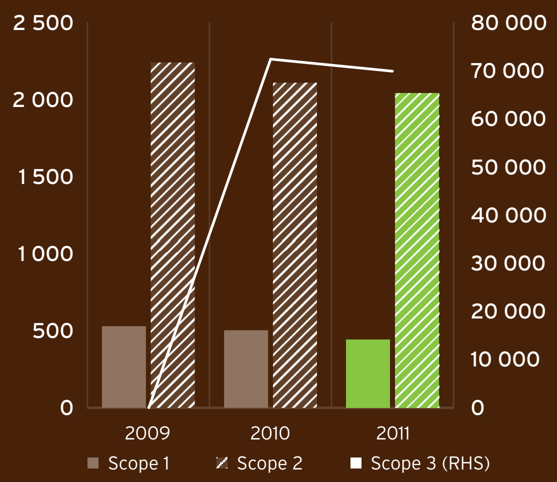
A recent strategic review of key environmental risks from Exxaro's mining activities highlighted:

- Air quality management, water quality management, water security and surface disturbance
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

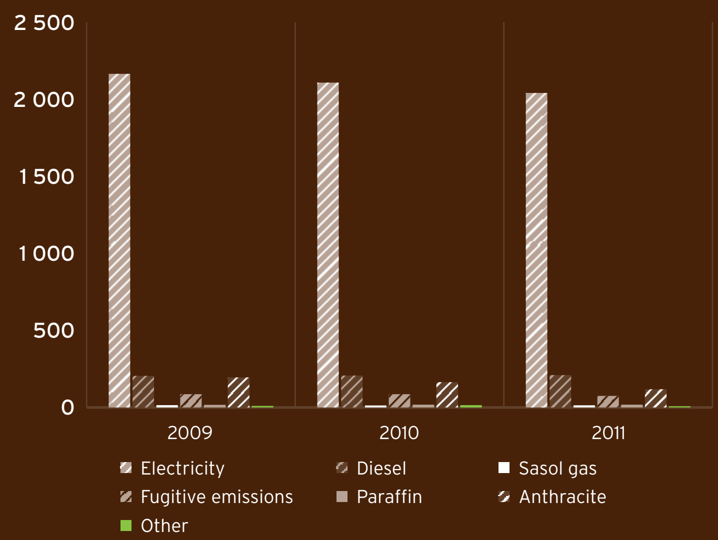
In the second half of the year, Exxaro launched an integrated biodiversity, waste and air programme – building on progress to date and aiming for measurable targets within specified timeframes.

| OBJECTIVES | CRITICAL SUCCESS FACTORS | KEY OUTPUTS WHAT | KEY OUTPUTS WHEN |
|---|---|---|---|
| **Biodiversity** | | | |
| • Create competitive advantage for Exxaro through innovative biodiversity management<br>• Ensure continued business operations through compliance to legislation and non-statutory best-practice | Integrate biodiversity into all mining planning, processes and operations | • Biodiversity strategy and programme framework<br>• Compile baseline reports, action plans for all business<br>• Performance reviews | December 2012<br>December 2012<br>June 2013 |
| **Hazardous waste management** | | | |
| • Sustainable waste management that is a competitive advantage for Exxaro | • Capacity and capability<br>• Reporting tools<br>• Enviro-legal framework<br>• Specific training<br>• Operational guidelines | • Policy statement and management standards<br>• Baseline waste assessment<br>• Project implementation plan | December 2012<br>December 2012<br>June 2013 |
| **Air quality management** | | | |
| • Fully-compliant, sustainable air quality management system that is managed and controlled by trained specialists at business units | Integrated air quality management planning in core operational processes | • Baseline air quality assessments<br>• Optimise air quality monitoring programme | Third quarter 2012<br>Third quarter 2012 |
| • Ensure Exxaro's air quality framework enables business growth | | • Develop air quality management plans<br>• Performance review | First quarter 2013<br>Third quarter 2013 |

GHG EMISSIONS YEARLY COMPARISON (Kt $CO_2e$)




GHG EMISSIONS – BY ENERGY TYPE (Kt $CO_2e$)



## Water management

To date, 14 (2010: ten) integrated water use licence applications have been approved, with eight expecting approval.

During the year, we defined focus areas and established task teams to reach our goal of a 5% reduction in potable water use by 2012 from a 2010 baseline. With accurate water accounting now in place, this target will be expanded into all water use in our operations, aiming to reduce use and increase re-use and recycling of process water. Intensity targets based on production to minimise losses and waste through efficient use and care is a future focus area.

Exxaro also submitted its second report to the CDP Water Disclosure. This voluntary, but detailed, participation on water-related data will provide valuable insight into the water strategies of many of the largest companies in the world.

## Climate change

An independent physical climate-risk assessment of Exxaro's operations in southern Africa two years ago highlighted key risks from climate change include floods, droughts, heat, disrupted transport infrastructure and increased vulnerability of local communities and workforces.

These risks, and related opportunities, were integrated into a climate change position statement that requires an internal and external approach to achieving our goal of being a clean (carbon-neutral) company. In the short term, our goal is to improve energy efficiency and reduce carbon emissions each by 10% by the end of 2012. We are well on track.

As part of this strategy, we have established a stand-alone energy company in joint venture to feed the national grid and third-party customers. Cennergi will focus on greener power production to contribute to lowering carbon emissions and position South Africa as proactively driving sustainability. Subsequent to year end, Cennergi submitted bids for five wind and solar energy tenders put out by the state, totalling some 316MW of power.

## Energy management

Exxaro's data management and reporting continues to mature. In 2011, for the first time, we report on scope 3 emissions. Total $CO_2$e emissions for the year were 2 484kt, a decrease of 4,3% on 2010.

For 2011, actual electricity consumed was 1 975GWh, 3,4% lower than 2010 (2 046GWh) and 15,2% lower than the reduced Eskom 2011 baseline (2 330GWh). The improved performance is a combined result of lower production in the current economic climate and work completed to get the largest Exxaro electricity baselines adjusted and accepted by Eskom. To date, Eskom has approved the Grootegeluk, Namakwa Sands smelter, Brand se Baai, Matla, KZN Sands smelter, Hillendale mine and Zincor baselines. These are subject to change in the new draft power conservation programme rules.

## Mine rehabilitation and closure

Exxaro, as a world-class minerals producer, acknowledges its moral and legal obligation to ensure responsible and sound environmental management performance, from cradle to grave, for all its operations.

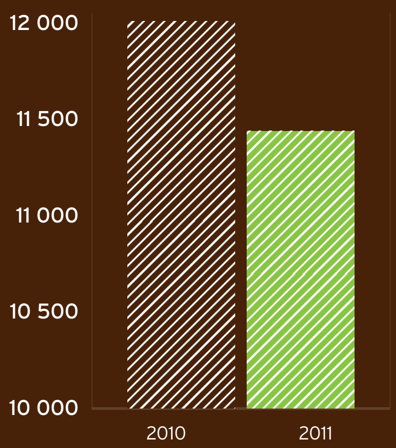
Since four of our current operations are within six years of closure, during the review period we established a forum to develop clear policy and standards on mine closure requirements. The forum will also expose operational management to experts in mine closure aspects and become a platform to exchange lessons learned between business units.

Exxaro contributed roughly R61,7 million to ongoing rehabilitation in 2011 and had R606,6 million in its trust fund at 31 December 2011 for mine-closure activities (2010: R68 million and R538,7 million respectively). In addition, the group had R525,6 million in bank guarantees in place. Updating these provisions annually highlights potential rehabilitation alternatives that could decrease the closure liabilities of mines in the long term.

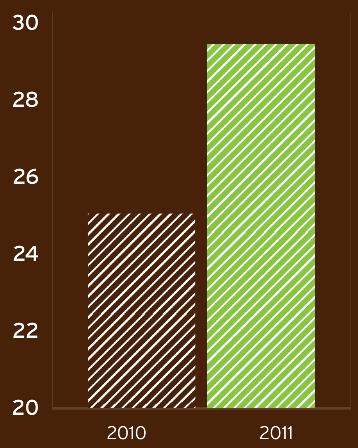
## Environmental performance

Detailed consumption tables are on our website. In this report, we disclose movements in key inputs year on year.

**TOTAL ENERGY USE (GJ)**




**WATER USE (million m³)**



# CEO'S REVIEW CONTINUED

## COMMUNITIES

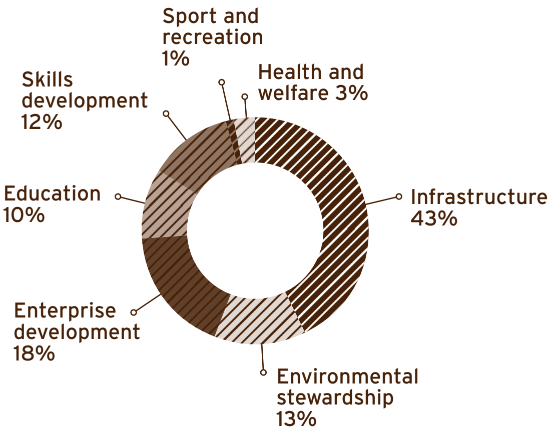
Exxaro's sustainable development activities, including socio-economic initiatives and donations, are focused on areas that are relevant and strategic to South Africa's socio-economic development. Accordingly, we are currently focusing on:

- Formal education
- Skills development and capacity building
- Enterprise development
- Health and welfare
- Environment
- Infrastructure (related to socio-economic projects)
- Agriculture
- Tourism
- Sport and recreation.

All our social and labour plans have been approved by the Department of Mineral Resources, and are being implemented against set targets.

Our five-year socio-economic development projects focus on enterprise development, infrastructure development and poverty alleviation as requested by the Department of Mineral Resources (DMR).

In 2011, Exxaro allocated R52 million to socio-economic development projects. Actual funding for projects currently under way, corporate projects and other initiatives totals R42,3 million (2010: R38,6 million).




In terms of the group's social and labour plans, Exxaro has 55 sustainable projects unfolding over a five-year period. These are being implemented in conjunction with stakeholders to ensure a collaborative approach. The number of jobs being created through these projects exceeds 670, indirectly benefiting over 11 400 people. Exxaro also contributed more than R11,7 million in 2011 via corporate projects and commitments, including university chairs, skills development and membership fees to national and international bodies such as the National Business Initiative, WWF and the Peace Parks Foundation. Other Exxaro local economic development projects are detailed on our website.

## SECTORAL CHALLENGES

South Africa's mining industry has been identified by the national planning committee as a key driver of economic growth and job creation in the immediate to short term. Given that southern Africa's mineral deposits are mostly located significant distances inland, effective and efficient bulk rail logistics, and associated port operations, are an integral element of this national strategy.

There is strong global competition from other mineral-rich countries in the supply of coal. It is, therefore, imperative that South Africa demonstrates its commitment to security of supply to its global customers. This requires ensuring that we proactively align production/delivery capacity with global economic demand curves, while ensuring sufficient energy security for South Africa.

In 2010, Transnet Freight Rail (TFR) led the industry to understand that if specific capacity and operational bottlenecks are addressed, the current coal line could possibly convey a total of 115Mtpa, comprising 100Mtpa of export coal and 15Mtpa of general freight.

Recent announcements by government and Transnet/TFR on various logistical infrastructural projects are very encouraging. Of particular interest to Exxaro are the announcements made on the development of the Waterberg rail system. The future development of the Waterberg depends on coal being supplied to the export market, state power utility Eskom, independent power producers and certain domestic markets. Exxaro supports any initiative by Transnet/TFR to develop and expand the rail network in South and southern Africa.

Just as critical is government's commitment to provide adequate water supply into the Waterberg region. A joint initiative with national and provincial government, Eskom and coal producers are examining various systems to deliver water to the region.

Exxaro is willing to be a partner and use its skills to help the country rebuild its rail infrastructure – it makes business sense for the group as much as for the country. We need to work like other countries and take stock of the resources we have in the ground and then develop the best plan to get those resources out and transport them to different markets.

## ADDRESSING COMMON ISSUES

At the Mining Indaba in February 2012, the annual International Council on Mining and Metals CEO session examined the industry's common sustainability challenges. Chief executives from three leading resource companies discussed the complex range of sustainability issues they face from an environmental, social and economic perspective, and identified the top three issues their organisations will face in Africa over the next 20 years.

In summary, the most pressing sustainability issues are resource nationalisation and community development. Others included climate change and logistics (particularly in view of the environmental and economic benefits of moving from road to rail transportation), safety, artisanal and small-scale mining, energy costs and ensuring the security of energy supply to the industry.

As an industry, we face common challenges, and Exxaro's material issues are detailed on 13. What differs though is the level of response. We believe that a coordinated effort – by government, industry and stakeholders – is the only way to ensure a meaningful improvement in the mining industry's contribution to the economy of this country and the welfare of its citizens.

The issue of nationalising mines has received extensive media coverage in the past year, albeit mostly as part of another political agenda. We continue to participate constructively in this debate with stakeholders, through our membership of the Chamber of Mines as well as directly. This issue, with its potentially significant impact on the national economy and the livelihoods of hundreds of thousands of South Africans, requires proper research to determine its true impact. Following the ANC announcement in late 2011 that it will set up a task team to investigate nationalisation, we look forward to an informed debate on the issue.

From 2007 to date, Exxaro has invested almost R223 million in social economic development. Given our steady progress, this is not currently a material issue for Exxaro. Through 55 different sustainable projects, which are unfolding over a five-year period, our social and labour plans are helping to create over 670 jobs, benefiting as many people in local communities as we have in our total workforce. In 2011, this spending equated to 1,8% of our net profit after tax, well ahead of the mining charter target of 1%.

Exxaro's business growth has always been intertwined with the growth of the communities in which it operates. A case in point is Grootegeluk's Medupi expansion project which, on its own, will have created 11 000 direct and indirect jobs by the end of 2012.

## MEETING THE ENERGY CHALLENGE

As global energy needs evolve, companies are increasingly looking at acquiring green energy technologies. For several years now, Exxaro has been pursuing a strategy of clean energy to remain competitive – we want to be enablers of the green movement and contribute to South Africa's commitments to environmental targets by producing clean power. We believe that to remain competitive and sustainable, it is critical that potential energy shortages, rising costs of energy, climate change and related environmental concerns are dealt with in a strategic way.

## COAL

To ensure we can meet rising demand, we have set clear production targets: producing 75Mt coal and 750kt reductants per annum by 2015 and increasing our coal exports to 10Mtpa over the next decade. At the same time, power utility Eskom needs to introduce new clean-energy technologies and our group is willing to play its part by constantly investigating viable technologies such as power production using co-generation and coal-bed methane.

## RENEWABLE ENERGY

Subsequent to year end, Exxaro concluded an agreement with Tata Power of India to establish a joint venture, Cennergi. This stand-alone energy supply company will focus on the development of cleaner production and renewable energy projects.

The Exxaro board has also approved the construction of a 14MW co-generation power station at our Namakwa Sands operation as part of our energy efficiency drive and to relieve pressure on the national grid. In addition, we are investigating the potential development of a 600MW coal base-load power station in the Waterberg region and the development of a coal-bed methane resource in Botswana.

## APPRECIATION

The success of our first five years may be partly due to rising commodity prices and currency exchange rates – but those are factors at play in every business. What really sets Exxaro apart is its people. We have formidable teams and passionate individuals at every level in this group and we deeply appreciate their contributions. In return, we will continue creating an environment that develops their full potential – a safe, healthy place that challenges and stimulates, recognises and rewards your input.

Special recognition must go to the board of Exxaro – a passionate and knowledgeable group who have been so supportive of our plans. They are the custodians of our strategy and continue to help Exxaro chart its path to the future.

Exxaro has enjoyed the support of strong partners, and loyal customers and suppliers around the world. The cooperative approach of regulatory authorities in South Africa and elsewhere continues to play an important role in our aspirations to build a truly sustainable group for all stakeholders.

## OUTLOOK FOR 2012

As Exxaro moves forward, greater emphasis will be placed on creating and maintaining a safe, healthy and environmentally friendly environment – in the workplace, in our communities and for broader society. Equally, our growth initiatives are focused on diversifying the business further with carbon, reductants, ferrous and energy projects aligned with our approved commodity strategy, set out on 10 and 30.

In 2012, we will implement further initiatives to enhance the current drive on safety and risk assessment, and control effectiveness.

The group's consolidated results for 2012 will continue to be affected by the trading levels of the local currency and Australian dollar against the US dollar.

The coal business will continue to focus on optimising and growing its market position in supply of coal to Eskom, as well as other domestic and export markets, while considering alternatives to increase export volumes. Continued reliable performance from TFR and a progressive increase in allocation at the Richards Bay Coal Terminal remain paramount. International coal prices are expected to decrease in 2012, along with lower coking prices, while volumes to Eskom and ArcelorMittal should remain stable.

In the mineral sands business, our short to medium-term focus remains the granting of relevant regulatory approvals to construct Fairbreeze, and finalising the New Tronox transaction. Feedstock prices should increase significantly, supported by higher demand. Zircon demand is also expected to recover in the second quarter of 2012.

In our base metals business, we expect to finalise the sale of Rosh Pinah to a subsidiary of Glencore International AG in the second quarter of 2012. Future applications for the Zincor plant are being investigated.

**Sipho Nkosi**
*Chief executive officer*

27 March 2012

# GROWTH

1.1
1.2

Exxaro's overall strategy remains unchanged and is focused on an evolutionary journey towards being a major sustainable diversified mining company with a global footprint encompassing significant investments in carbon, reductants, mineral sands, ferrous and energy 2 to 9.

Different published global risk surveys continue to emphasise a number of risks facing the mining industry, all of which include risks directly related to the pursuit of commodity growth strategies. These risks include capital allocation, capital project execution, infrastructure access and skills shortages, all of which serve as a reminder to be judicious in the pursuit of a project pipeline even if aligned with an approved growth strategy. Exxaro's own strategic risk register supports these risk sentiments.

It is against this backdrop and acute awareness of inherent risk that Exxaro embarks on its growth journey. Capital management remains a disciplined environment within a defined governance process to ensure that project approvals will enhance shareholder value in a globally competitive environment.

2011 has been a defining year for Exxaro as a number of its pursuits for improved global commodity diversification have progressed significantly. Most notably, these include the acquisition of an iron ore investment and the announcement of a consolidatory transaction for its mineral sands interests.

Exxaro's strategic thrusts per commodity are summarised on 33, including the anticipated timelines.

## COAL

### Grootegeluk Medupi expansion project (GMEP)

Construction on GMEP, to supply Eskom with 14,6Mtpa of coal for the Medupi power station, is on track to deliver first coal in May 2012 and is expected to be completed within budget. Overall project progress has increased to 72% completion. The total project spend to date is R4,4 billion with total capital expenditure for the project still forecast at R9,5 billion. Total funds committed to date are around R6,5 billion.

### Thabametsi

The Thabametsi development project, as a supplier of coal to a base-load independent power producer (IPP), is expected to reach first coal production by 2016/17, depending on the Waterberg IPP and water supply development schedule.

### Mafutha

Exxaro entered into a prospecting joint venture agreement with Sasol Mining to investigate the commercial viability of developing a new coal mine in the Waterberg to supply Sasol's potential 80 000 barrels per day inland coal-to-liquids facility (Project Mafutha). The detailed prefeasibility study for Project Mafutha has now been completed. Based on the findings of the prefeasibility study, global environmental risks, and in the absence of a commercially viable carbon emission solution which is realistically not anticipated before 2020, the decision has been taken not to proceed with Project Mafutha at this stage.

### Waterberg infrastructure development

Exxaro continues to engage with the relevant stakeholders to conclude implementation plans for an integrated infrastructure solution for the Waterberg coalfields which will include the supply of water, rail, road, and housing requirements.

### Sintel char and market coke

Studies on the phase 2 expansion of the Sintel char plant to produce an additional 140ktpa of char as well as a bankable feasibility study to produce market coke from semi-soft coking coal at Grootegeluk, continue to progress. The studies are still expected to be completed in the second half of 2012.

### Belfast

Exxaro's application for a mining right for the Belfast project has been accepted by the Department of Mineral Resources. The bankable feasibility study is expected to be completed by the second half of 2012. Specialist studies, as required by the national environmental and national water acts, were submitted to the relevant authorities in the fourth quarter of 2011. Start-up and first production is expected in 2014.

### Moranbah South

A concept study completed on the Moranbah South project indicated high potential for a dual long-wall mine to produce 10–12Mtpa of premium hard coking coal. The prefeasibility study started in 2011 and is expected to be complete in the second quarter of 2012 after which a bankable feasibility study will start.

## MINERAL SANDS

### New Tronox

On 26 September 2011, Exxaro and Tronox Incorporated announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest joint venture with Tronox in Western Australia, along with 74% of the Exxaro KZN Sands and Namakwa Sands operations in South Africa, in exchange for a 38,5% shareholding in New Tronox. The long-term partnership is expected to enhance production capabilities and implement technical efficiencies in the integrated process, creating a truly global, vertically integrated titanium dioxide pigment producer. This is expected to result in a strong platform for future growth, uniquely positioned to capitalise on favourable market dynamics and to serve the needs of the ever-growing pigment and zircon customer base across the globe. The transaction is expected to close in the second quarter of 2012 following New Tronox shareholder and regulatory approvals.

### Fairbreeze

Exxaro awaits the customary regulatory and environmental approvals for the Fairbreeze project before construction can begin. These approvals were not obtained in the second half of 2011, as expected. Detailed design was however completed in the second half of 2011. The departments of agriculture, environmental affairs and rural development require additional information from Fairbreeze's basic assessment report on air quality, traffic and agricultural studies, as well as rehabilitation reports. This report, with the requested information, was sent on 9 February 2012 to interested and affected parties for review by 9 March 2012; Exxaro also awaits the decision from the relevant authorities by the end of June 2012.

Commissioning is now only expected in the first half of 2014.

## ENERGY

Exxaro continues to explore opportunities in energy markets, focusing on cleaner energy initiatives.

In March 2012, Exxaro announced it had agreed with Tata Power of India to form an energy joint venture, Cennergi. The objective is to develop and operate cleaner energy and renewable energy projects, such as wind and solar initiatives.

Cennergi will be jointly controlled by Exxaro and Tata (50/50), and based in South Africa with an initial focus on developing the business in that country, Namibia and Botswana.

### Renewable energy initiatives

Cennergi has submitted five renewable energy projects in terms of the South African government's drive to procure 3 725MW of renewable energy electricity from the private sector. These projects were submitted in the second window of submission through the Department of Energy's request for qualification and proposals for new generation capacity under the independent power producer (IPP) procurement programme issued on 3 August 2011. The submissions entail two solar projects and three wind projects.

### Co-generation

The board of directors approved the outcome of the bankable feasibility study for a 14MW co-generation plant at Namakwa Sands in the third quarter of 2011. Construction of the power plant is expected to start in the second quarter of 2012, with commercial operation planned for the fourth quarter of 2012. The clean development mechanism registration of this project is under way.

The prefeasibility study for the 60MW co-generation plant at Grootegeluk mine is in the final stages and is now expected to be completed in the first half of 2012.

### Waterberg IPP

Facilitation for the development of a 600MW coal-fired base-load power station in the Waterberg is under way. Non-binding term sheets for the offtake of 1 150MW of electricity have been signed between Exxaro and industrial offtakers. Four base-load IPPs have been selected, with the preferred bidder expected to be selected in the first half of 2012. The prefeasibility study of the project will continue during 2012 and a bankable feasibility study is planned conditional on the creation, formalisation and establishment of an appropriate enabling environment in which such a development can proceed.

### Coal-bed methane development

A clearer indication of the potential for economic gas flow by evaluating opportunities for underground coal gasification in both South Africa and Botswana is now only expected in the first half of 2012.

# GROWTH CONTINUED

## FERROUS

### Alloystream™

Alloystream's large-scale demonstration facility to commercialise the technology for beneficiating manganese ore into high-carbon ferromanganese alloy together with Assmang Limited is expected to be commissioned in the first quarter of 2012. The ferromanganese furnace (Project Letaba) demonstration facility was completed in the fourth quarter of 2011.

### Iron ore

Subsequent to the reporting date of 31 December 2011 and further to the unsuccessful off-market takeover bid for Australian junior miner Territory Resources, Exxaro, through its wholly-owned subsidiary Exxaro Australia Iron Investments Proprietary Ltd, launched an off-market takeover bid for African Iron Limited. This offer initially remained open for acceptances until 14 February 2012. On that date, Exxaro obtained a shareholding of 66,6% in African Iron Limited, with the offer automatically extended by a further 14 days until 28 February 2012, in line with the Australian stock exchange takeover rules. On 28 February, Exxaro had obtained a 99,4% shareholding in this entity.

African Iron Limited is an Australian domiciled iron ore development company working on the exploration and evaluation of the Mayoko iron ore and Ngoubou-Ngoubou projects, located approximately 300km north-east of Pointe-Noire in the Republic of Congo in central West Africa. It owns a 92% interest in the Mayoko iron ore project which currently has a Joint Ore Reserves Committee (JORC) code compliant mineral resource of 121 million tonnes of iron ore. The Mayoko iron ore project represents a near-term development opportunity in an emerging iron ore province in central West Africa with an existing underutilised, heavy haulage mineral railway passing within 2km of the main prospect. African Iron's second opportunity is its 85% interest in the 944km$^2$ Ngoubou authority to prospect, which is contiguous with Mayoko. African Iron Limited's assets provide an excellent match to Exxaro's stated objective of gaining operational exposure in iron ore and represent a reasonably sized opportunity, which will allow Exxaro to leverage its bulk commodity and iron ore expertise.

# PROJECT PIPELINE

## CONCEPT SCREENING

**Iron ore: Mayoko phase 1**
**SCOPE**
2Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2014

**Mayoko phase 2**
**SCOPE**
10Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2016

## PREFEASIBILITY — COMPLETED BUSINESS CASE

**Moranbah South (Australia 50%)**
**SCOPE**
12Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2016

**Dry mine replacement (Australia 100%)**
**SCOPE**
100–200ktpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2013

**Market coke phase 1&2**
**SCOPE**
1Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2015

**Thabametsi phase 2**
**SCOPE**
6–17Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2016

## FEASIBILITY — INVESTMENT DECISION

**Belfast/Paardeplaats**
**SCOPE**
3–5Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2014

**Clean energy: wind**
**SCOPE**
40–280MW
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2015

**Clean energy: solar**
**SCOPE**
10–40MW
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2014

**Char phase 2**
**SCOPE**
140–280ktpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2013

**Market coke co-gen**
**SCOPE**
80–100MW
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2016

**Thabametsi phase 1**
**SCOPE**
6Mtpa
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2016

## CONSTRUCTION — IMPLEMENTATION

**GMEP**
**SCOPE**
14,6Mtpa
**ESTIMATED CAPEX**
R9,5 billion
**ESTIMATED START-UP**
2012

**Fairbreeze mine**
**SCOPE**
300ktpa
**ESTIMATED CAPEX**
R2,4 billion
**ESTIMATED START-UP**
2014

**Co-generation Namakwa Sands**
**SCOPE**
14MW
**ESTIMATED CAPEX**
TBD
**ESTIMATED START-UP**
2013

**Alloystream: Demonstration furnace (Lethaba)**
**ESTIMATED CAPEX**
R80 million
**ESTIMATED START-UP**
2012

**Cennergi**
50:50 joint venture implemented with Tata Power
**ESTIMATED START-UP**
2014

Coal
Clean energy
Mineral sands
Ferrous

# FINANCIAL AND OPERATIONAL REVIEW

2011 has been characterised by record financial performance, further embedding Exxaro's sound financial structure and, in turn, enabling significant progress towards realising the group's strategic growth initiatives.

Exxaro benefited handsomely from strong international prices and demand for its coal and mineral sands commodities, albeit partially offset by the negative impact of a stronger local and Australian currency to the US dollar. Local coal sales volumes were lower primarily from operations tied to Eskom while the decision to cease zinc production at the Zincor refinery invariably resulted in lower volumes and operating losses in our base metals business.

The group's statement of financial position and key financial metrics remain healthy and provide a solid platform for our growth aspirations. Exxaro reported record earnings since its creation in November 2006, declared a record dividend to shareholders, and ended the financial year without any net debt.

The group's audited financial results and unaudited physical information for the years ended 31 December 2011 and 2010 are not comparable due to the R869 million partial impairment reversal of the carrying value of property, plant and equipment at KZN Sands, which was initially accounted for in the year ended 31 December 2009, and a R516 million impairment of the carrying value of property, plant and equipment at the Zincor refinery. To be meaningful, comparable supplementary financial results are disclosed in this review by excluding the impairments recorded.

## EXCHANGE RATES

An average exchange rate of R7,28 (spot average of R7,22) to the US dollar (US$) was realised for the year ended 31 December 2011 compared to R7,72 (spot average of R7,30) for the prior period. Unrealised foreign currency losses on revaluing monetary items denominated in a foreign currency were recorded based on the relative strength of the local and Australian currency to the US$ at 31 December 2011. The relative strength of the Australian dollar (AU$) also continued to impact negatively on the financial results of the mineral sands business in that country. An average rate of US$0,99 cents (spot average of US$1,03 cents) to the AU$ was realised compared with US$0,87 cents (spot average of US$0,92 cents) in 2010.

## REVENUE

Group consolidated revenue increased by 24% to R21,3 billion due to higher selling prices across Exxaro's commodities, despite lower total coal sales and the adverse impact of stronger local and Australian currencies.

**SHARE PRICE PERFORMANCE**

Although the general economy is still finding its way out of the effects of the 2008/09 recession, Exxaro's share price continued to outperform both the JSE Resources 10 Index and the JSE All Share Index throughout the year ended 31 December 2011.

Coal revenue increased 21%, mainly due to higher export sales at higher prices despite lower volumes at Eskom-tied mines as well as lower other domestic sales volumes.

Mineral sands revenue rose 42% to R6,6 billion with lower sales volumes recorded at higher prices.

Base metals revenue increased marginally by 3% as a 1% higher average realised zinc price of US$2 191 per tonne partially offset lower zinc metal sales volumes.

Other revenue has reduced from 2010 due to the sale of Glen Douglas with effect from 1 January 2011.

## NET OPERATING INCOME

Comparable group consolidated net operating profit was R1 392 million or 53% higher at R4 028 million after excluding the R869 million partial reversal of the impairment of the carrying value of property, plant and equipment at KZN Sands accounted for in 2009, as well as the R516 million impairment of the carrying value of property, plant and equipment at Zincor refinery.

The coal business reported a 24% increase in net operating profit to R3 339 million at an operating margin of 26% as higher selling prices and stronger international demand were only partially negated by lower local demand. The weaker domestic performance partially reflected lower demand from ArcelorMittal South Africa Limited (AMSA) as well as lower sales volumes from operations tied to Eskom. Despite lower sales volumes from tied mines, these operations recorded a 66% increase in net operating profit to R309 million, after the group revised the way it applies discount rates on the calculation and recovery of rehabilitation costs, which contributed R132 million to this number. The net impact of the revised calculation results in additional rehabilitation costs recoverable from Eskom.

Higher recorded mineral sands revenue translated into an improved consolidated net operating profit of R1 809 million, even after excluding the partial impairment reversal of property, plant and equipment at KZN Sands of R869 million. Sales volumes at Namakwa Sands and Australia Sands increased on the back of higher demand. KZN Sands' sales were lower due to furnace unavailability (furnace 1 down for four months in 2011 and furnace 2 down for eight months in 2011).

The stronger AU$ against the US$ has been partially mitigated by hedging US$ receivables of the Australian operation, with realised foreign exchange gains of R90 million in 2011.

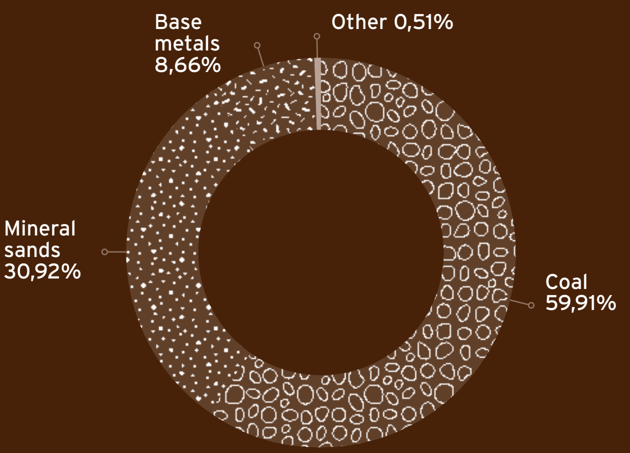
Similar to 2009 and 2010, only KZN Sands reported a loss in 2011.

Despite marginally higher revenue recorded by base metals, a net operating loss of R629 million (excluding impairment of the carrying amount of property, plant and equipment at Zincor refinery) was reported. This was mainly due to the announced decision to cease zinc production, resulting in an under-recovery of fixed expenses. Continued above-inflation increases in electricity and maintenance expenses again affected the base metals results.

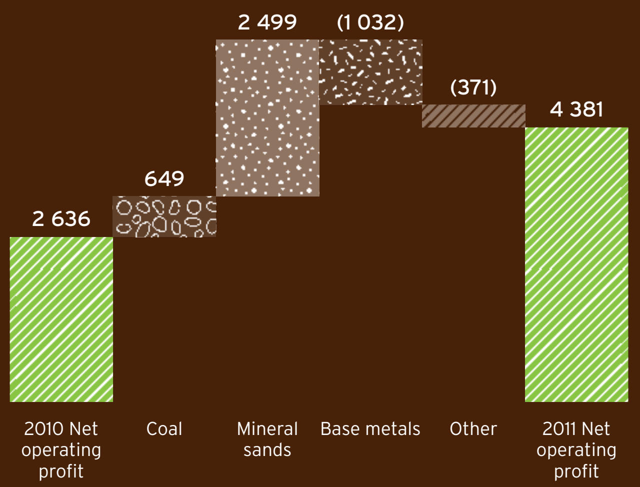
Rosh Pinah's operating results were also lower, based on lower zinc concentrate production and sales.

Other net expenditure increased primarily from non-recurring costs associated with implementing Exxaro's new operating model and associated technology enablement, as well as other project-related costs.

### REVENUE COMPOSITION 2011




### ACTUAL NET OPERATING PROFIT: 2010 vs 2011



# FINANCIAL AND OPERATIONAL REVIEW CONTINUED

### COMPARABLE UNAUDITED SEGMENTAL RESULTS

| Rm | YEAR ENDED 31 DECEMBER 2011 | YEAR ENDED 31 DECEMBER 2010 |
|---|---|---|
| **REVENUE** | | |
| **Coal** | 12 763 | 10 515 |
| Tied operations | 3 140 | 2 952 |
| Commercial operations | 9 623 | 7 563 |
| **Mineral sands** | 6 587 | 4 640 |
| KZN Sands | 1 196 | 1 288 |
| Namakwa Sands | 2 904 | 1 801 |
| Australia Sands | 2 487 | 1 551 |
| **Base metals** | 1 846 | 1 787 |
| Rosh Pinah | 698 | 674 |
| Zincor | 1 550 | 1 598 |
| Inter-segmental | (402) | (485) |
| **Other** | 109 | 213 |
| **Total external revenue** | 21 305 | 17 155 |
| **NET OPERATING PROFIT** | | |
| **Coal** | 3 339 | 2 690 |
| Tied operations | 309 | 186 |
| Commercial operations | 3 030 | 2 504 |
| **Mineral sands** | 1 809 | 179 |
| KZN Sands[1] | (116) | (66) |
| Namakwa Sands | 987 | 107 |
| Australia Sands | 938 | 138 |
| **Base metals** | (629) | (113) |
| Rosh Pinah | 102 | 143 |
| Zincor[2] | (723) | (171) |
| Other | (8) | (85) |
| **Other** | (491) | (120) |
| **Total** | 4 028 | 2 636 |

1 *Excludes a partial impairment reversal of R869 million of the carrying value of property, plant and equipment at KZN Sands initially accounted for in 2009.*
2 *Excludes an impairment of R516 million of the carrying value of property, plant and equipment at Zincor refinery.*

## OPERATIONAL PERFORMANCE

Physical performance translated as production and sales volumes is provided from 2 to 9.

### COMPARABLE EARNINGS

| Rm | YEAR ENDED 31 DECEMBER 2011 | YEAR ENDED 31 DECEMBER 2010 |
|---|---|---|
| **Comparable net operating profit excluding impairment recordals** | 4 028 | 2 636 |
| Income from investments | 9 | 2 |
| Net financing cost | (291) | (455) |
| Income from equity accounted investments – net of tax | 4 668 | 3 717 |
| Taxation | (1 110) | (665) |
| Non-controlling interest | (4) | (27) |
| **Comparable attributable earnings excluding impairment recordals** | 7 300 | 5 208 |
| Adjustments net of taxation impact | 2 | (22) |
| **Headline earnings** | 7 302 | 5 186 |
| Weighted average number of shares | 348 | 347 |
| **Comparable attributable earnings (cents per share)** | 2 098 | 1 501 |
| **Headline earnings per share (cents per share)** | 2 098 | 1 495 |

Comparable attributable earnings, including Exxaro's equity accounted investments in associates, were R7 300 million or 2 098 cents per share, up 40% from 1 501 cents per share in 2010.

Headline earnings, which exclude the impact of the impairment and partial impairment reversal, were R7 302 million or 2 098 cents per share. This represents a 41% increase on comparable 2010 earnings of R5 186 million or 1 495 cents per share.

### INCOME FROM EQUITY ACCOUNTED INVESTMENTS – NET OF TAX

| Rm | YEAR ENDED 31 DECEMBER 2011 | YEAR ENDED 31 DECEMBER 2010 |
|---|---|---|
| Sishen Iron Ore Company Proprietary Ltd (SIOC) – 19,98% | 4 456 | 3 623 |
| Chifeng – 22% | 2 | 8 |
| Black Mountain – 26% | 210 | 86 |
| **Total** | 4 668 | 3 717 |

The results of SIOC are fully reported by Kumba Iron Ore Limited in its financial results to 31 December 2011.

### SINCE CREATING EXXARO IN NOVEMBER 2006, THE FOLLOWING DIVIDENDS HAVE BEEN DECLARED:

| PERIOD ENDED | DIVIDEND (CPS) | Rm | Rm INCL STC[1] | DATE DECLARED | DATE PAID/PAYABLE |
|---|---|---|---|---|---|
| 30 June 2007 | 60 | 211 | 211 | 15 August 2007 | 10 September 2007 |
| 31 December 2007 | 100 | 353 | 353 | 20 February 2008 | 17 March 2008 |
| 30 June 2008 | 175 | 620 | 620 | 13 August 2008 | 22 September 2008 |
| 31 December 2008 | 200 | 710 | 710 | 23 February 2009 | 30 March 2009 |
| 30 June 2009 | 100 | 356 | 356 | 19 August 2009 | 28 September 2009 |
| 31 December 2009 | 100 | 357 | 357 | 24 February 2010 | 19 April 2010 |
| 30 June 2010 | 200 | 715 | 715 | 11 August 2010 | 4 October 2010 |
| 31 December 2010 | 300 | 1 074 | 1 074 | 23 February 2011 | 11 April 2011 |
| 30 June 2011 | 300 | 1 076 | 1 076 | 16 August 2011 | 26 September 2011 |
| 31 December 2011 | 500 | 1 771 | 1 771 | 21 February 2012 | 2 April 2012 |

1 *No STC (secondary tax on companies) is payable due to the use of STC credits arising from dividend receipts from SIOC. The STC dispensation will be replaced by a new dividends tax with effect from 1 April 2012.*

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R210 million to equity accounted income and includes a R80 million reversal of a previous impairment of the investment.

## CASH FLOW

| Rm | YEAR ENDED 31 DECEMBER 2011 | 2010 |
|---|---|---|
| **Net cash retained from operations** | **6 503** | 4 106 |
| Net financing cost, taxation and dividends | **(2 719)** | (1 742) |
| Cash used in investing activities | | |
| New capacity | **(3 301)** | (1 522) |
| Sustaining and environmental capital | **(1 625)** | (1 155) |
| Acquisition of investments and operations | **(325)** | (149) |
| Dividends received | **3 525** | 1 817 |
| Proceeds on sale of non-core assets and investments | **496** | 60 |
| Other | **(82)** | (29) |
| **Cash inflow** | **2 472** | 1 386 |
| Share issue | **15** | 29 |
| Other movements in net debt | **(4)** | 96 |
| **Decrease in net debt** | **2 483** | 1 511 |

Cash retained from operations was R6 503 million for the group. This was primarily used to fund net financing charges of R94 million, taxation payments of R502 million, dividend payments of R2 123 million, and capital expenditure of R4 926 million (of which R3 301 million was invested in new capacity and R1 625 million applied to sustaining and environmental capital). Around R3 070 million of the expansion capacity expenditure was for the Grootegeluk mine expansion project (GMEP) for Medupi power station. After the receipt of R3 525 million in dividends, primarily from SIOC, the group had a net cash inflow of R2 472 million for the year. The final dividend for 2011 will amount to a further cash outflow of some R1 771 million, offset by dividend inflow from SIOC of around R1 958 million.

Net debt of R2 220 million at 31 December 2010 has inverted to a net cash position of R263 million at 31 December 2011.

## DEBT STRUCTURE AND FINANCIAL COVENANTS

Compliance with the group's financial loan covenants with its external financiers is shown below:

| | COVENANTS | RATIO 2011 | 2010 |
|---|---|---|---|
| Net debt to equity[1] (%) | <80 | **3** | **13** |
| EBITDA interest cover (times) | >4 | **56** | **9** |
| Net debt to EBITDA cover (times) | <2 | **0,08** | **0,55** |
| Net profit after tax to distribution (times) | >2 | **3,61** | **4,95** |

*1 Refer definitions.*

The group's debt structure at 31 December 2011 is:

| Rm | FACILITIES DRAWN | UNDRAWN | DEBT MATURITY PROFILE | |
|---|---|---|---|---|
| Total interest-bearing borrowings | 3 902 | 4 500 | 1 149 | 2012 |
| Corporate | 3 209 | | 1 912 | 2013 |
| GMEP* | | 4 500 | 327 | 2014 |
| Australia Sands | 693 | | 315 | 2015 |
| | | | 199 | After 2015 |
| Cash and cash equivalents | (4 165) | | | |
| Net cash | (263) | | 3 902 | |
| Short-term facilities | | 1 300 | | |

** Grootegeluk mine expansion project to supply Eskom's Medupi power station.*

## ACKNOWLEDGEMENTS

I remain indebted to the very competent Exxaro finance teams throughout the group for their continued commitment, dedication, and valuable contributions.

**Wim de Klerk**
*Finance Director*

27 March 2012

**CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER**

| Rm | 2013 ESTIMATE | 2012 ESTIMATE | 2011 ACTUAL | 2010 ACTUAL |
|---|---|---|---|---|
| Sustaining and environmental | 3 994 | 3 800 | **1 625** | 1 155 |
| – Coal | 2 243 | 2 223 | **600** | 516 |
| – Mineral sands | 1 665 | 1 259 | **621** | 398 |
| – Base metals | | | **109** | 169 |
| – Other | 86 | 318 | **295** | 72 |
| Expansion | 4 702 | 7 130 | **3 301** | 1 522 |
| – Coal | 1 725 | 416 | **185** | 307 |
| – Mineral sands | 67 | 239 | **44** | 294 |
| – Iron ore | 1 592 | 2 102 | | |
| – Energy | 312 | 308 | | |
| – Other | 115 | 350 | **2** | 3 |
| GMEP | 891 | 3 715 | **3 070** | 918 |
| **Total** | 8 696 | 10 930 | **4 926** | 2 677 |

Post 2014, sustaining capital expenditure is expected to be below R2 billion per annum.

# STAKEHOLDER ENGAGEMENT

4.14 - 17 | K 8

## MANAGEMENT APPROACH

In recent years, the need for listed companies to respond to stakeholder concerns about the triple bottom line – social, economic and environmental performance – has grown exponentially, but this is also increasingly linked to investor interests in emerging risk-related aspects of financial performance. Stakeholder engagement guidelines and standards (such as Global Reporting Initiative, AA1000SES, etc) have emerged to drive stakeholder engagement processes and the quality of those interactions.

We believe that engagement is fundamental to creating value for all our stakeholders: it assists in identifying issues that are material and may otherwise have an impact (negative or positive) on their wellbeing. We also believe that engaging with our stakeholders promotes the principles of balance, comparability, reliability, accuracy and transparency of our reporting, both internally and externally.

During the year, key initiatives to improve our stakeholder engagement processes included a formal stakeholder analysis at business unit level, with three business units completing the assessment and site-specific reports being generated. Business unit-level stakeholders are engaged through consultative forums. The analysis will be conducted at the remaining business units and will include corporate-level stakeholder groups in 2012. A stakeholder panel was convened.

As part of the group's restructuring, accountability and oversight of group-wide stakeholder engagement is managed centrally to coordinate and support activities performed by stakeholder-facing management.

Also during the year, a brand perception assessment was undertaken at corporate-level to canvass stakeholders. The results are included in a process underway to further develop a group stakeholder engagement strategy and guide related efforts.

Exxaro applies the AA1000SES standard based on the processes shown below. This is supported by an integrated software system to manage stakeholder engagement more effectively.

### IDENTIFICATION

The following criteria are used to identify Exxaro stakeholders:
- Individuals or groups who affect or are affected by Exxaro and its operations' current or future activities
- Individuals or groups are classified as internal or external stakeholders
- Individuals or groups are further categorised as direct or indirect stakeholders.

### PRIORITISATION

The following criteria are used to prioritise stakeholders:
- Individuals or groups who influence Exxaro's economic, social and environmental performance
- Individuals or groups influenced by Exxaro
- Individuals or groups that will be influenced by Exxaro in future.

### ENGAGEMENT

The group strives to engage openly and proactively with stakeholders. Issues and requests from stakeholders are responded to as part of ongoing engagement programmes implemented by stakeholder-facing teams across the group. The 2012 report will include extended reporting on this activity.

Communicating the group's business strategy has been a focal element of investor relations engagement performed by executive management. In addition, investor requests to be kept informed on the group's growth and commodity plans and progress updates on projects, such as GMEP, have been met during interactions.

Exxaro management implemented a stakeholder relations programme to engage with the stakeholders involved in the planned development of Fairbreeze mine at KZN Sands in KwaZulu-Natal. As part of the legislated mining licence authorisation process, a long-term public participation process involves a range of registered interested and affected parties. Management spends considerable time engaging with these stakeholders to fully understand viewpoints, both positive and negative, and to accurately communicate plans for the mine. Interventions include personal and group meetings, presentations, briefings, site visits, open days, and providing information via newsletters and the group's website. The planned mine attracts both positive and negative opinion and management will continue to engage with all stakeholders.

Exxaro's compliance with environmental and water use legislation at some Mpumalanga mines is an issue raised by stakeholders. The group continues to engage with these stakeholders via public participation processes and also outside of these forums. Stakeholders include government departments, local community members, non-governmental organisations and media. The intention is to communicate accurate information on these issues which are, in many instances, complex as they are driven by a range of legislated processes. Exxaro is committed to meeting its compliance obligations and stakeholder concerns will continue to be treated with the respect and consideration they deserve.

| IDENTIFIED STAKEHOLDER | ENGAGEMENT METHOD | PURPOSE | FREQUENCY | ISSUES RAISED |
|---|---|---|---|---|
| **Community** | Socio-economic assessment toolkit (SEAT) (below) | Identify material issues affecting communities surrounding Exxaro operations | Every three years | • Employment<br>• Environmental impacts<br>• Education<br>• SMME assistance |
| | Social and labour plan forum (projects) | Monitor progress on implementing local economic development projects and project spending | Quarterly with corporate office<br>Annually with government officials | • Jobs created<br>• Local supply chain<br>• Training |
| | Engagement forums | Provide feedback to surrounding communities on resolving material issues | Determined by issues arising from SEAT process; at least quarterly | • KZN Sands – Fairbreeze EIA<br>• Matla – wetlands<br>• Job security<br>• Safety |
| **Customers** | Marketing | Enable Exxaro to understand and meet customer specifications<br>Advertise Exxaro products | As required by each commodity business' marketing department | • Security of supply<br>• Quality<br>• Price<br>• BBBEE rating |
| **Employees** | Intranet portal<br>Road shows<br>Group newsletter<br>Email communication | Update on group strategy and developments | Ongoing<br>Quarterly<br>Ad hoc | • Job security<br>• Restructuring<br>• Safety<br>• Conditions of employment – standardised<br>• Training and development<br>• Wages<br>• Housing |
| **Government** | Government relations | Ensure government and Exxaro management are aligned<br>Update on group strategy and developments | Ongoing | • BBBEE rating<br>• Beneficiation |
| | Interested and affected parties' authorisation process | Comply with environmental impact assessment (EIA) authorisations' requirements | As required by EIA authorisation process | • Environmental impacts<br>• Socio-economic impacts<br>• Safety |
| **Investors** | Road shows<br>Briefings and meetings<br>Securities Exchange News Service (SENS)<br>Financial reporting<br>Site visits | Ensure investors are informed of group strategy, performance and developments | Bi-annually<br>Ad hoc<br>Ad hoc<br>Bi-annually<br>Ad hoc | • BBBEE rating<br>• Major contracts<br>• Growth projects<br>• Strategy implementation<br>• Succession planning |
| **Media and general public** | Site visits<br>Interviews<br>News releases<br>Website<br>Advertising | Provide information for media to inform general public and other stakeholders<br>Update on group strategy and developments | Ad hoc<br>As required by media<br>Ad hoc<br>Ongoing<br>Ad hoc | • Environmental impacts<br>• Water use licensing<br>• Safety |
| **NGOs** | Mine engagement | Keep mine stakeholders informed on operational affairs | Quarterly | • Jobs created<br>• Restructuring<br>• Safety<br>• Environmental impacts |
| | Corporate engagement | Keep corporate stakeholders informed on Exxaro developments | | • Jobs created<br>• Restructuring<br>• Reskilling |
| | Expert panel | Assurance to stakeholders on the correctness of the sustainability report | Annually | • Disclosure<br>• Transparency<br>• Progress<br>• Global standards |
| **Suppliers** | Green procurement | Maximise efficiency and reduce impact of supply chain | As required by supply chain management | • Standardised terms and conditions<br>• BBBEE rating |
| | Preferential procurement | To ensure Exxaro purchases goods and services from suppliers that meet BEE compliance requirements | As required by supply chain management | • Standardised terms and conditions<br>• BBBEE rating<br>• Ease of doing business with Exxaro<br>• Implementation of supply chain charter |

# PERFORMANCE REVIEW

## REVIEW OF MINERAL RESOURCES AND RESERVES

The mineral resources and ore reserves underpinning Exxaro's current operations and growth projects are summarised in the tables on 60 to 71. Mineral resources are reported inclusive of those mineral resources which have been converted to ore reserves and at 100%, irrespective of the percentage attributable to Exxaro, except in the case of Gamsberg and Black Mountain, because figures received from Anglo Base Metals represent resources exclusive of reserves. Significant changes in the resource or reserve figures have been explained by relevant footnotes attached to each table. Resource estimations are based on resource models, which incorporate all new validated geological information, updated geological models and, if applicable, revised resource definitions and classifications. The resource models are compiled as a rule between June and August of the reporting year. Ore reserves are estimated using the relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal, environmental, social and governmental regulatory requirements). Mineral resources in which Exxaro held the controlling interest have been reviewed during 2011 to comply with reasonable and realistic prospects for eventual economic extraction (Samrec Code 2007).

Exxaro uses a systematic review process that measures the level of maturity of the exploration work done, the extent of the geological potential, the mineability and associated risks/opportunities to establish an eventual extraction outline (EEO). Mineral resources and ore reserves quoted fall within existing Exxaro Resources mine or prospecting rights. Mining rights are of sufficient duration (or convey a legal right to convert or renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules. Mineral resources and ore reserves were estimated by competent persons on an operational basis and in accordance with the Samrec Code (2007) for South African properties and the Jorc Code (2004) for Australian properties. Ore reserves in the context of the annual review 2011 have the same meaning as 'mineral reserves', as defined by the Samrec Code 2007. All competent persons have sufficient relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a 'competent person' as defined in these codes at the time of reporting. These competent persons have signed off their respective estimates in the original mineral resources and ore reserve statements for the various operations and consent to the inclusion of the information in the annual review 2011 in the form and context in which it appears. A list of Exxaro's competent persons is available from the group company secretary on written request.

The processes and calculations associated with the estimate have been audited by internal competent persons and are audited by external consultants when deemed essential to establish transparency. In the case of mines or projects in which Exxaro does not hold the controlling interest, the figures have been compiled by competent persons from the applicable companies and have not been audited by Exxaro. Resource and reserve estimation at Exxaro mines or projects outside southern Africa were done by competent persons as defined by the Jorc Code (2004).

The person within Exxaro designated to take corporate responsibility for mineral resources and reserves, HJ van der Berg, the undersigned, has reviewed and endorsed the reported estimates.

**HJ van der Berg (Hennie)**
*MSc (Geology), BSc (Hons)*
*Pr Sci Nat (400099/01)*
*Manager Mineral Assets*

27 March 2012

*In almost four decades as a geologist, Hennie has spent 28 years in senior management and built extensive exposure to both exploration and mining geology. He has been involved in numerous feasibility and due diligence studies and has commodity experience in iron ore, coal, base metals, industrial minerals and, to a lesser extent, diamonds. He has evaluated iron ore deposits in South Africa, Australia, Peru, Guinea, Senegal, Mauritania, Uganda, Mozambique, Turkey, Russia, Azerbaijan and Republic of Congo and coal in South Africa and Australia.*

## 2006

Exxaro lists on JSE

Mpower employee share scheme launched on 27 November

## 2007

Grootegeluk expansion begins after signing Medupi coal supply agreement

Inyanda – construction begins

## 2008

United Nations Global Compact – signatory

Namakwa Sands acquired

## COMMENT

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed with the following consideration: the Department of Mineral Resources (DMR) has provided written confirmation that the old-order mining licence for all Exxaro's mines has been converted to a mining right, but the mining rights of Tshikondeni, Matla, Strathrae, Arnot and Glisa still need to be scheduled for execution by the DMR. Conflicting applications over Exxaro's existing mining and prospecting rights have become a constant hindrance, and are being addressed through the right channels. These do not present a real risk, but become a legal burden that cannot be ignored. A greater challenge arises from the lack of transparency between the DMR and Department of Energy, which results in exploration rights for natural gas being granted over existing coal rights without prior consultation. This matter is being addressed. Exxaro submitted a mining right application for the Belfast block during 2011.

Exxaro recognises the importance of its mineral assets to the wellbeing of the company. The optimisation of mineral assets beyond what is currently referred to as mineral resource management is being driven as a priority. As noted in the 2010 integrated annual report, changes in the resources market, increased awareness around the protection of the natural environment, and changing legislation and statutory requirements demand a change in the exploitation strategy and execution of mining and prospecting operations. It has become essential to involve all functions to optimise every link in the value/action chain.

This comprehensive objective to optimise Exxaro's natural resources, of which the mineral resource is the most strategic but not the only important part, can only be achieved through holistic integration of all relevant components. These include elements such as geoscience, metallurgy, mining, product quality, marketing, environment, safety, society, legal and statutory and profitability. Inherently every mineral deposit is a finite mineralised body. Once mining starts, the size of the mineralised body is constantly depleted until, in the extreme case, nothing is left. The term sustainable mining, often used at public forums, is therefore inherently flawed. The idea is that communities must be transformed during the life of mine to create other sustainable industries and businesses; these ventures, especially in rural areas, mostly depend on the wealth continuously created by the mine. Once this source of wealth stops, the business ventures cannot survive. Accountable mining is more appropriate to describe the holistic approach noted above. Company sustainability and growth can only be achieved by accountable mining operations, replacing depleted mineral assets and adding new mineral assets.

The drive to grow and diversify Exxaro's mineral asset base has been one of the focus areas in 2011 and it will continue during 2012. In this regard, policies and governance in the mineral asset environment will be reviewed and changed where necessary to facilitate the principle of accountable mining practices and to improve assurance and legal and statutory compliance. Good mineral deposits have proved excellent long-term investment assets throughout economic cycles over the previous four decades and represent the fundamental value of a mining company. It is therefore critical for Exxaro and its investors to have a high level of confidence in its mineral assets and the assurance that these resources and reserves will deliver the expected value. The envisaged policies and governance will be designed to achieve this goal, while the drive to add additional quality mineral assets will continue.

As part of the accountable mining campaign, the level of confidence in the mineral resource at each mine is being reviewed. The status of the mineral resource is measured against the objective to assure management that the mineral resource and eventual reserve will be able to deliver the predicted value. Additional prospecting programmes are being planned to suit the assurance need at each mine. Similarly, growth projects are being evaluated using an inhouse tool, the mineral asset review process, to determine the increase/decrease of value in each project as well as where it fits in the growth pipeline. Based on results, recommendations will be made to the growth department on the future and prospecting programme for each project.

In conclusion, and as reflected in the company's mineral resources and reserves value statement: Exxaro's mineral resources and reserves represent the company's fundamental value to be treated with responsibility and respect. Accountable mineral asset management is focused on achieving this goal through teamwork by people who are empowered to grow and participate and are committed to excellence and honest responsibility.

## 2009

First CEO Summit – focused on sustainability

Leadership programme launched

Char plant opened – downstream beneficiation

## 2010

Safe Day flag campaign launched – lost-time injuries drop 15%

Detailed closure plans in action at Durnacol and Hlobane

Grootegeluk Medupi Expansion Project – construction begins

## 2011

Exiting base metals as part of portfolio optimisation and group restructuring

Mineral sands business to be merged into international group

Record performance marks Exxaro's fifth year

# GOVERNANCE REVIEW

## EXECUTIVE COMMITTEE

** Prescribed officers in terms of the Companies Act 71 of 2008, as amended*

**SA Nkosi – Sipho** (57)

Chief executive officer (executive director)

BCom (Hons)(Econ), MBA (University Mass, USA), Diploma in marketing management, Advanced management leadership programme

**Experience:** After 20 years in the industrial and mining sectors, Sipho was a founder of Eyesizwe Holdings and served as chief executive officer before its merger into Exxaro in 2006. He was appointed CEO of Exxaro in September 2007. Sipho is a director of a number of companies, including Sanlam Limited, and served as president of the Chamber of Mines from November 2007 to November 2010.

**WA de Klerk – Wim** (48)

Finance director (executive director)

BCom (Hons), Acc, CTA CA(SA), Executive management programme (Darden), Strategic marketing diploma (Harvard)

**Experience:** Wim served on the executive management team of Iscor, responsible for strategy and continuous improvement. He also managed Iscor quarries and the Grootegeluk coal mine during this period. From 2001, he managed Exxaro's mineral sands commodity business and then the base metals businesses in 2008. He was appointed finance director in 2009.

**PT Arran – Trevor** (44)

Executive general manager: sands and base metals

BSc (Hons)(Econ Geo), Advanced management programme (UP/GIBS), BEP, diploma project management

**Experience:** Trevor has a wide mining background, supplemented by financial experience gained in equity markets, investment banking and new business. He assumed responsibility for his current portfolio early in 2009.

**MDM Mgojo – Mxolisi** (51)

Executive general manager: coal

BSc (Hons) Energy Studies, MBA (Henley), Advanced management programme (Wharton)

**Experience:** Previously at Eyesizwe Coal, Mxolisi was responsible for marketing. Before assuming his current position in August 2008, he was responsible for the base metals and industrial minerals commodity business.

**M Piater – Retha** (57)

Executive general manager: human resources

BCom (Hons), MBA, Advanced management programme (Insead)

**Experience:** Retha has 26 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

**PE Venter – Ernst** (55)

Executive general manager: business growth

BEng (Hons), MBA, Advanced management programme (Insead)

**Experience:** Ernst has headed a number of portfolios including base metals, Zincor, consulting services, mining technology, coal beneficiation, process development and plant metallurgy over the years. From 2002 to 2008, he was responsible for the coal commodity business and then established Exxaro's business growth division.

**WH van Niekerk – Willem** (52)

Executive general manager: corporate services

BSc (Hons), MSc, PhD (Met Eng) (University of Pretoria), BCom (Unisa), MBA (Henley Management College, London), TEP executive programme (Darden)

**Experience:** Willem started his career as a metallurgist at Iscor, Vanderbijlpark in 1985. After periods at Research and Development and Iscor Heavy Minerals, he was appointed general manager corporate technology (2001). In 2003 he became general manager at Zincor and then headed Exxaro Australia Sands. In 2008 he returned to South Africa to manage business development and marketing for the mineral sands unit, after which he was appointed to his current position where he is responsible for technology, information management, logistics and supply chain management.

**M Veti – Mongezi** (48)

General manager: safety and sustainable development

MBL (Unisa), National higher diploma in metalliferous mining (Technikon Witwatersrand), National diploma in coal mining (Technikon Witwatersrand), Advanced management programme (Wharton), Mine overseer's certificate and mine manager's certificate of competency for fiery mines

**Experience:** In the early 1980s, Mongezi worked for Anglo Gold at Western Deep Levels and joined Sasol Mining in 1994. In 2002, he became mine manager at Arnot, and was appointed a general manager in Exxaro soon after the merger, before assuming his current role in February 2010.

**CH Wessels – Carina** (34)

Group company secretary

LLB (University of Pretoria), Advanced labour law (University of Pretoria), LLM (Unisa), Programme for management development (GIBS), FCIS

**Experience:** Carina is an admitted advocate of the High Court of South Africa, and a fellow and senior vice-president of Chartered Secretaries Southern Africa. She will become president of this body in May 2012. Carina spent nine years with De Beers in various operational and head office positions, including human resources, business improvement and corporate secretariat, as well as a period with Investec as corporate secretariat legal advisor.

# DIRECTORATE

**SA Nkosi – Sipho** (57)

Chief executive officer (executive director) 42

**WA de Klerk – Wim** (48)

Finance director (executive director) 42

**CI Griffith – Chris** (47)

Non-executive director, member of Remco*

BEng (Mining)(Hons), PrEng

**Experience:** Chris was appointed executive director and chief executive officer of Kumba Iron Ore in 2008. He is chairman of Sishen Iron Ore Company, director of Kumba International Trading SA and a member of the Anglo American plc executive committee. Prior to his appointment at Kumba, he headed joint ventures for Anglo Platinum. Chris is registered as a professional engineer with the Engineering Council of South Africa, and is a member of the South African Institute for Mining and Metallurgy and the Association of Mine Managers.

**JJ Geldenhuys – Jurie** (69)

Independent director, chairman of SRC committee*, member of Remco* and social and ethics committee

BSc (Eng)(Elec), BSc (Eng)(Min), MBA (Stanford), PrEng

**Experience:** From 1965 to 1980, Jurie held production and managerial positions on the gold, platinum and copper zinc mines of the Anglovaal Group. From 1981 until retirement, he served in technical and executive capacities involving gold, base metals, coal, ferrous metals and industrial minerals. He retired as managing director of Avgold Limited in 2000 and served the group in a consulting capacity until 2002. He has served on the boards of Anglovaal Limited, Avmin Limited, Freegold Consolidated Mines Limited, Hartebeestfontein Gold Mining Company Limited, Lorraine Gold Mines Limited, Eastern Transvaal Gold Mines Limited, Iscor Limited and Sallies Limited. He served as the Chamber of Mines' president (1993–1994) and on the chamber's executive council, gold producers' committee and various other chamber-related board committees. He also served on the Atomic Energy Council and National Water Advisory Council. He is currently non-executive director and chairman of Astral Foods Limited (chairing the human resources and remuneration committee and nomination committee).

**S Dakile-Hlongwane – Salukazi** (61)
*– appointed with effect from 21 February 2012*

Non-executive director

BA (Economics and Statistics), MA (Development Economics)

**Experience:** Salukazi is deputy-chairman of Nozala Investments, a company she co-founded in 1996. Her experience includes: 1977–1982 senior investment officer, Lesotho National Development Corporation; 1983–1995 African Development Bank (Abidjan/Côte d'Ivoire) as a country programme officer and later principal corporation officer; senior manager, structured finance division/FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of Nozala's investee companies including Eqstra Holdings Limited, Enviroserv Holdings Limited, Woodlands Dairy Pty Limited, Afripack Pty Limited, Tsebo Outsourcing Group Pty Limited; Synergy Freight International Pty Limited and Natal Rubber Compounders Pty Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited.

**U Khumalo – Ufikile** (46)

Non-executive director

BSc (Eng), MSc (Eng)(UCT), MAP (Wits), Senior executive development programme (Harvard), Advanced management programme (Insead)

**Experience:** Ufikile served with Sasol and Eskom as senior engineer and with Bevcan as manufacturing manager before joining the Industrial Development Corporation (IDC). He held several positions at the IDC since 1999, including head: international finance; executive vice-president: industrial sectors and executive vice-president: projects. He is currently the divisional executive responsible for investments in resources and beneficiation sectors, food beverage and agro industries, energy and infrastructure sectors as well as high-technology venture capital. He has served as a non-executive director of many companies including JSE-listed Digicore Holdings.

**Dr D Konar – Len** (58)

Independent director, chairman of the board and nomination committee

BCom, CA(SA), MAS, DCom

**Experience:** After completing his articles of clerkship at Ernst & Young in Durban, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. Len is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar, Sappi and JD Group and a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

**VZ Mntambo – Zwelibanzi** (54)

Non-executive director, member of Remco*

BJuris, LLB (University of North West), LLM (Yale)

**Experience:** Zwelibanzi is executive chairman of Xalam Performance. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Metrobus Pty Limited and Mainstreet 333 Pty Limited. He is a director of SA Tourism Pty Limited and a trustee of the Paleo-Anthropological Scientific Trust.

**RP Mohring – Rick** (65)

Independent director, chairman of Remco*, member of audit committee*, member of SRC committee* and member of social and ethics committee

BSc (Eng)(Mining), MDP, PrEng

**Experience:** From 1972 to 1998, Rick held production, managerial and executive positions in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 until 2000, he was chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25Mtpa of coal, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003 and set up a private consulting company, Mohring Mining Consulting.

**NL Sowazi – Nkunku** (48)

Non-executive director, member of audit committee*

BA, MA (UCLA)

**Experience:** Nkunku is co-chairman of Kagiso Tiso Holdings (KTH), a leading South African investment holding company with significant interests in the media, financial services and resources sectors. KTH was formed in July 2011 by the merger of two leading black-owned investment firms (Kagiso Trust Investments and Tiso Group, of which he was executive chairman and co-founder). He is currently a director of the JSE-listed Aveng Ltd, Actom (Pty) Ltd and Litha Healthcare Holdings. He is chairman of Idwala Industrial Holdings (Pty) Limited, Eris Property Group (formerly RMB Properties), The Home Loan Guarantee Company and The Financial Markets Trust.

**J van Rooyen – Jeff** (62)

Independent director, chairman of audit committee* and chairman of the social and ethics committee

BCom, BCompt (hons), CA(SA)

**Experience:** Jeff is a director of various companies in the Uranus Group, non-executive director of MTN Group Limited, Pick n Pay Stores Limited and Pick n Pay Holdings Limited. He is chairman of the Financial Reporting Standards Council (FRSC), a trustee of the International Accounting Standards (IFRS) Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner at Deloitte and Touché, chairman of the Public Accountants' and Auditors' Board, CEO of the Financial Services Board and advisor to the late Ms Stella Sigcau, Minister of Public Enterprises. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

**D Zihlangu – Rain** (45)

Non-executive director, member of SRC committee*

BSc (Min Eng) (Wits), MDP (SBL, Unisa), MBA (WBS, Wits)

**Experience:** Rain is chief executive officer of Eyabantu Capital Consortium. Between 1989 and 1994 he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 until 2002, he was a shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited. Rain was chief executive officer of Alexkor Limited from 2002 until 2005. From 2006, he has been a non-executive director of the South African National Oil and Gas Company (PetroSA), chairs its human capital committee and serves on its business strategy committee. He also serves on the board of Sentula Mining.

* *The committees of the board were renamed and revised terms of reference approved effective 1 January 2012 – refer* 50 *and* 55 *to* 57 *for further details.*

# REGULATORY COMPLIANCE AND GOVERNANCE

## A JOURNEY BEYOND COMPLIANCE

### DISCLOSURE ON MANAGEMENT APPROACH

As a listed resources company, we operate in an extremely regulated environment, which naturally drives our compliance and governance initiatives. However, as an ethical, values-based, listed and proudly South African black-empowered resources company, our compliance and governance initiatives are driven by more than mere minimum requirements, but rather the firm belief that our licence to operate depends on us being a responsible corporate citizen.

As a responsible corporate citizen, we take decisions that not only enable our strategy or ensure profitability and performance, but also decisions that consider the risks to which we are exposed, the legitimate interests and expectations of our stakeholders and ones that are socially and environmentally responsible.

By balancing these imperatives, as a responsible corporate citizen, we entrench our sustainability and make a meaningful contribution to the South African economy.

During 2011, we received a number of accolades for our responsible corporate citizenship, set out below. This integrated annual report contains further examples, including the quantum of dividends paid to our black-empowered shareholders over the past five years, the dividends and capital amount paid to participants of the Mpower scheme (mostly historically disadvantaged employees), the 670 jobs created by our social and labour plans over the past five years, translating into an indirect benefit to 11 400 people from local communities and the bursary and bridging school programmes, among others.

Our compliance and governance endeavours therefore remain aimed at ensuring and supporting our responsible corporate citizenship.

The overarching 2011 governance and compliance objectives centred around specific commitments made in 2010, implementation of the new Companies Act No 71 of 2008, as amended (the Companies Act), to adapt to the changing corporate landscape, as well as the revised corporate governance strategy approved by the board in July 2011, which focused on four key objectives for the medium term:

- Governance supporting and enabling company strategic objectives
- Regulatory and legislative performance: going beyond compliance
- Fully embracing the principles of King III
- Integrated governance assurance.

## COMPLIANCE

In terms of its charter, the board is responsible for governing the legal compliance management processes of the group. The board is assisted by the audit committee (previously the audit, risk and compliance committee) which, inter alia, assesses legal and compliance risks that may have an impact on the consolidated financial statements. All remaining compliance risks are monitored by the sustainability, risk and compliance committee (previously the safety and sustainable development committee).

We manage our compliance risks through:

- Awareness training for employees and other affected stakeholders on high compliance risks identified from time to time, including changes in legislation
- Internal and external assurance and reporting on the level of compliance with regulatory requirements, which process will be fully integrated into the combined assurance framework during 2012
- Providing advice and formal legal opinions on current and envisaged actions and business processes.

# AWARDS AND RECOGNITION

2.10

### Chartered Secretaries Southern Africa/ JSE annual report awards 2011

Sappi award for best sustainability reporting, merit award in the top 40 category

### Ernst & Young (E&Y) Excellence in Corporate Reporting 2011

Sixth place in top 10, from top 25 in 2010

### Association of Certified Chartered Accountants (ACCA) of South Africa – endorsed by KPMG

Second place for best sustainability report in the mining industry in 2010

### JSE Socially Responsible Investment index

One of 22 best performers out of 74 companies in the index (after 104 companies were evaluated)

### Companies of the future 2011

Exxaro was among the top 20 companies for an engineering career in a survey covering over 38 000 students at South African universities.

### Environmental Investment Organisation

Independent NPO that researches, promotes and implements investment systems to incentivise global corporate emissions reductions.

Exxaro placed 29th out of 300 international companies in the EIO's global 800 carbon ranking.

Some of the key activities to facilitate meeting our overarching objective of regulatory and legislative performance: going beyond compliance and progress are set out below.

| ACTIVITY | PROGRESS AND NEXT STEPS |
|---|---|
| Implementation of the new Companies Act | The board is committed to full compliance with the act and significant effort was devoted to addressing the requirements:<br>• Directors attended detailed training on their duties and responsibilities and are continuously briefed on new requirements when specific decisions need to be made.<br>• All directors (including South African subsidiary companies) and prescribed officers formally declared under oath that they are not ineligible or disqualified from appointment as directors or prescribed officers.<br>• 130 senior managers attended training on directors' and prescribed officers' duties and liabilities, and finance teams received training on new requirements for accounting records and financial statements. Training interventions and information sharing will continue during 2012.<br>• A social and ethics committee was established effective 1 January 2012.<br>• A general meeting was held on 29 November 2011 to approve the required special resolution to enable Exxaro to provide financial assistance to subsidiary companies.<br>• Immediate steps were taken to comply with the revised schedule 10 of the Listings Requirements of the JSE, inter alia, by appointing a minimum of four directors to all subsidiary boards.<br>• Negotiations are underway with the JSE in order to approve a new harmonised memorandum of incorporation. South African subsidiary companies' memorandums of incorporation will be submitted to the JSE in 2012, aiming to have all harmonised by December 2012. |
| Implementation of the mining charter | In 2011, we delivered a presentation to parliament on our consolidated progress towards compliance with the mining charter. This was very well received. In 2012, we will also report to the DMR per mining right. |
| Legal compliance register | A comprehensive legal compliance register, indicating all legislation and specific portions of legislation applicable to Exxaro's business was prepared in 2011. This register will be used as the basis for legislative compliance training, audits and reporting in future and is a significant step towards providing the board with integrated, accurate and detailed information to enable them to meet their obligation of ensuring Exxaro's compliance with all applicable laws. |
| Conducting compliance audits on the status of integrated water use licences in terms of the National Water Act | To date 14 individual and amalgamated integrated water use licence applications have been approved. |

## Corporate Research Foundation – Best Employers in South Africa 2011/12

Following its annual survey as part of its international human resources policy and practice benchmarking project, the CRF Institute conducts Best Employer awards in 14 countries across four continents (Europe, Asia, South America and Africa).

Exxaro was best employer in its industry (mining), 10th among companies with over 4 000 employees, and third in best empowered employers.

By participating in this benchmark process, Exxaro gains insight into how the best employers in the country add value for their employees. This helps Exxaro's HR leaders identify current strengths and opportunities to improve our own value proposition in the drive towards HR practices, initiatives and policies that increasingly mobilise talent in support of future business success.

## Carbon Disclosure Project 2011

- Carbon disclosure leadership index: Exxaro received a platinum award for the third-highest score of 94% (against the winner and first mining company at 98%).
- Carbon performance score: Exxaro received a Gold Certificate of Recognition for inclusion in the A band of top performers (seven companies in total, with only two mining companies).

## 2011 SA Publication Forum Awards – Best Internal Newsletter

xxplore, Exxaro's quarterly newsletter, took first place and received certificates of excellence for writing, design and communication. xxplore was also a finalist in the best publication cover category and runner-up in the best corporate publication category.

# REGULATORY COMPLIANCE AND GOVERNANCE

CONTINUED

| ACTIVITY | PROGRESS AND NEXT STEPS |
|---|---|
| Training related to contract law and basic contractual management | Training was provided to the following business units:<br>• Grootegeluk<br>• Medupi<br>• North Block Complex<br>• Tshikondeni<br>Training will be extended to the remaining business units in 2012. |
| Environmental law and liability training | Awareness training was provided at:<br>• Arnot<br>• Grootegeluk<br>• Tshikondeni<br>Awareness training will be ongoing in 2012. |
| Mine health and safety legal compliance and liability training | Awareness training in terms of the Mine Health and Safety Act was conducted at:<br>• Arnot<br>• New Clydesdale |
| Labour Relations Act amendments training | Training was conducted at Zincor |
| Consumer Protection Act | Training was conducted at Matla |
| A–Z of discipline in the workplace | Training of company representatives and chairpersons is standard training conducted at Business Units |

## STATUS OF CONVERTING MINING RIGHTS

To ensure sustainability, it is imperative that Exxaro secures mining rights for its existing mines and new mining opportunities. In 2011 conversion was granted by the Department of Mineral Resources (DMR) for the old-order mining rights held for Arnot and Glisa (North Block Complex) and that of Gravelotte was executed. Execution and registration of all granted conversions and obtaining new-order rights for Belfast and Glisa south have been prioritised for 2012.

In terms of the Mineral and Petroleum Resources Development Act 2002 (MPRDA), Exxaro must comply with the relevant approved mine works programme, social and labour plan and environmental management programme as approved by the DMR for each mining right held. Exxaro mines' compliance to mine works programmes, social and labour plans and environmental management programmes was audited by the DMR during 2011 on an ad hoc basis, with formal feedback pending.

The MPRDA requires in section 28(2) that all holders should annually submit financial reports reflecting profits and losses as well as a report on its compliance with the mining charter and MPRDA. The 2011 report was submitted in March 2012, as required.

### COMPLIANCE

A compliance policy which sets out the integrated compliance processes in Exxaro, was adopted by the board in 2008. The policy is based on the standards of the Compliance Institute of South Africa. In this policy, compliance risk is defined as the risk to earnings, capital and reputation arising from violations or non-compliance with laws, regulations, supervisory requirements, prescribed practices or ethical standards. A dedicated compliance function was established on 1 January 2012 and the related policy and processes will therefore undergo a significant review in 2012.

## **EXXARO MINERAL ASSET STATUS** AS AT 31 DECEMBER 2011

Locations of Exxaro's mines are shown on 2 to 9.

*In place* *In process* *Not in place*

### MINING OPERATION CONVERSIONS

| COMMODITY | REGION | MINES | MINING* RIGHT GRANTED | MINING△ RIGHT EXECUTED | ACTION |
|---|---|---|---|---|---|
| Mineral sands | KZN | Hillendale | In place | In place | Awaiting registration at Mining Titles Office |
| | | Fairbreeze A, B, C, D and Block P | In place | In place | Awaiting registration at Mining Titles Office |
| | | Reserve 10 (Hillendale) | In place | In place | Awaiting registration at Mining Titles Office |
| | Limpopo | Gravelotte | In place | In place | Awaiting registration at Mining Titles Office |
| Coal | | Grootegeluk | In place | In place | Awaiting registration at Mining Titles Office |
| | | Tshikondeni | In place | In process | Awaiting execution date |
| | Mpumalanga | Leeuwpan | In place | In place | Complete |
| | | Mafube | In place | In place | Cession confirmed |
| | | Arnot | In place | In process | Execution expected in first quarter of 2012 |
| | | Glisa (North Block Complex) | In place | In process | Execution expected in first quarter of 2012 |
| | | Matla | In place | In process | Awaiting execution date |
| | | Strathrae (North Block Complex) | In place | In process | Awaiting execution date |

### NEW MINING RIGHTS

| COMMODITY | REGION | MINES | MINING* RIGHT GRANTED | MINING△ RIGHT EXECUTED | ACTION |
|---|---|---|---|---|---|
| Mineral sands | KZN | Fairbreeze C Ext | In place | In place | Mining commencement extension granted |
| | | Braeburn (Hillendale) | In place | In place | Complete |
| | | UVS and Braeburn Ext (Hillendale) | In place | In place | Complete |
| Coal | Limpopo | Goni (Tshikondeni) | In place | In place | Complete |
| | Mpumalanga | Inyanda | In place | In place | Complete |
| | | Leeuwpan Ext | In place | In place | Complete |
| | | Eerstelingsfontein | In place | In place | As a result of administrative constraints, mining cannot start yet |
| | | New Clydesdale Colliery | In place | In place | DMR to approve amended layout plan for registration |
| | | Belfast | Not in place | Not in place | Application submitted |
| | | Glisa (south) | Not in place | Not in place | Application under way |

* *Granted = an administrative right granted prior to acceptance of terms and conditions.*
△ *Executed = approval of the EMPR and commencement date.*

# REGULATORY COMPLIANCE AND GOVERNANCE

CONTINUED

## CORPORATE GOVERNANCE

We are driven by our desire to always operate as a responsible corporate citizen and recognise that an ethical culture underpins corporate governance and contributes to our licence to operate. Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices, guided by our values. The board and management subscribe to the philosophy that corporate governance built on an ethical and values-based foundation permeates all business activities and enables us to achieve our short- and medium-term strategic objectives, while contributing to reaching Exxaro's vision of becoming a US$20 billion company by 2020.

The board, as custodian of corporate governance, has made the office of the group company secretary responsible for implementing and monitoring compliance to associated best-practices across the group. Our group company secretary, Mrs CH Wessels, serves as a member of the executive committee (Exco); she reports directly to the CEO and has direct access to the chairman. She works closely with internal audit, the compliance and risk management functions, the chief audit executive and our outsourced legal advisers to promote a culture of good governance and compliance in the group.

| KEY OBJECTIVES FOR 2011 | ACTIVITY | PROGRESS AND NEXT STEPS |
|---|---|---|
| Governance supporting and enabling company strategic objectives | Review and improve board delegation of authority policy and framework to ensure accountability and execution at the appropriate level | The board approved a revised delegation of authority policy and framework in November 2011. This will be further improved based on new Exxaro Siyaya structures in 2012. Further focus during 2012 will centre around training employees to ensure an understanding of board-reserved powers and management delegations. |
| | Provide corporate guidelines for the codification of business rules to standardise best-practices throughout the group | The board approved a policy on the codification of business rules in Exxaro in November 2011.<br>In 2012 we will concentrate on codifying new business principles and processes designed during project Siyaya to entrench the new operating model and deliver on project objectives. |
| | Review current board committee structures, composition and terms of reference against best-practice, new Companies Act requirements and revised Siyaya structure requirements | The board approved the revised board committee structure and terms of reference in November 2011, with effect from 1 January 2012 54.<br>Detailed reporting guidelines will be developed in 2012 to ensure the board and committees have sufficient oversight over material issues. |
| Fully embracing the principles of King III | Addressing King III readiness assessment gaps | Detailed on 51 and 52. |
| | Entrenching an ethical culture | Despite the fact that the 2009 King III readiness assessment identified no deficiencies in respect of King III chapter 1, we initiated an anti-fraud and corruption maturity assessment in November 2011 to establish any specific gaps 51. |
| | Initiate an integrated risk and compliance process adhering to best-practice standards, supported by enabling technology | A project was initiated with our risk management advisers to address current shortcomings in our risk management methodology and to align with industry best-practices such as ISO 31000. The first phase of the project – identifying relevant gaps and making recommendations, was completed in 2010. The second step, implementation of a detailed enterprise risk management framework, was completed in 2011.<br>The final phase, implementing enabling technology, will be concluded in 2012. |
| | Conduct board and committee assessments | To assess the skills and experience of each board member, the board and all board committees were assessed by the group company secretary in collaboration with the chairman in November 2011. Overall feedback suggested that individual directors, the board and committees fulfilled their duties and operated effectively, although some suggestions for improvement will be addressed during 2012. |

**CASE STUDY**

**Entrenching an ethical culture** SO2-4 K 1

At Exxaro, reports of alleged or possible unethical behaviour are received through the anonymous reporting hot line (Tip-offs Anonymous) and other mechanisms. All reports are periodically reviewed by the Exxaro ethics committee and referred for forensic investigation or to functional heads to be investigated.

The outcome of these investigations or referrals can result in one of a number of the following outcomes:

- No further action – insufficient evidence or allegation cannot be proven
- Disciplinary action without dismissal
- Disciplinary action with dismissal
- Dismissal and case handed over to South African Police Services (SAPS) for criminal investigation.

## ETHICS

Exxaro remains committed to the highest standards of honesty, integrity and fairness. To support its zero-tolerance approach, a fraud-prevention policy articulates group standards and consequences for committing or concealing fraudulent acts by employees, contractors or suppliers.

The group's ethics committee comprises executives and representatives of internal audit and the chief audit executive. This committee's terms of reference were reviewed and updated during the year, and its processes entrenched. Chaired by the chief audit executive, it meets monthly to consider issues of non-compliance to the group code of ethics or conflict of interest policy, as well as matters reported on the ethics line or to management. Required investigations are conducted by a dedicated forensics team. This approach is reinforced by articles highlighting the importance of ethical behaviour in the quarterly internal newsletter.

A dedicated 24-hour ethics hot-line is available to report all related matters including possible fraud and corruption. This is independently operated by Tip-Offs at a cost of R48 000 per annum.

During the year, we assessed our anti-fraud and corruption processes. This was designed to help us evaluate the maturity of our control systems for fraud, corruption and bribery risks, and how effectively the relationship between these risks, controls and performance is managed in relation to industry peers. The review included assessing current policies and practices, and surveys in which 1 320 employees participated. Overall scores indicate that although required activities are established, these need to be enhanced to be more efficient and effective. This will receive attention in 2012 and beyond.

The ethics committee formally reports to the new social and ethics committee of the board.

In 2011, 240 cases of alleged fraud were reported for forensic investigation, 37 of these via the ethics line. Six of these led to disciplinary action and the dismissal of employees concerned. Two cases were also reported to the South African Police Services (SAPS) for criminal prosecution. The estimated impact or saving to the group of prompt action against suspected fraud was R5,7 million. At business unit level, 203 cases of alleged fraud were reported, resulting in disciplinary hearings in 102 cases and 32 cases reported to SAPS.

The types of fraud investigated included:
- Fraudulently changing bank accounts
- Credit card fraud
- Submitting false qualifications
- Tender fraud.

Employees and all stakeholders can report suspected incidents of fraud or corruption to Tip-offs at 0800 203 579 or exxaro@tip-offs.com. This is an independent service designed to help people report incidents while remaining anonymous for their protection.

## APPLICATION OF KING III

In 2010 we reported on feedback from the King III readiness assessment that had been conducted by a leading corporate governance adviser. Only the specific gaps identified at that time, and addressed during 2011, are shown overleaf. There are no other material deficiencies in the application of any other King III principles.

Throughout this report, reference is made to King III and specific chapters – our aim is to demonstrate an integrated application of these principles and not to limit reference or explanation to the governance and compliance portion of this report.

For a copy of King III contact the Institute of Directors at www.iodsa.co.za.

| | SIX MONTHS ENDED 30 JUNE | | SIX MONTHS ENDED 31 DECEMBER | | 12 MONTHS OF 2011 | |
|---|---|---|---|---|---|---|
| | BUSINESS UNIT | REPORTING LINE | BUSINESS UNIT | REPORTING LINE | BUSINESS UNIT | REPORTING LINE |
| Cases reported | 113 | 20 | 90 | 17 | 203 | 37 |
| Disciplinary hearings | 76 | 4 | 26 | 2 | 102 | 6 |
| Reported to SAPS | 25 | | 7 | 2 | 32 | 2 |
| Cases dismissed | 12 | 16 | 57 | 13 | 69 | 29 |
| Impact/savings (R) | 2 448 137 | 99 000 | 1 308 341 | 1 818 061 | 5 673 539 | |

One of the cases handed over to SAPS and successfully prosecuted involved an employee who fraudulently changed banking details to divert a significant payment to her personal bank account.

Given Exxaro's published zero-tolerance approach to fraud, we communicate regularly with employees on ethics – preventing and reporting fraud, personal consequences and the impact on the group.

# CORPORATE GOVERNANCE CONTINUED

Key

*No or minor adjustments required to conform with King III principles.*

*Specific gaps identified that require focused management action to conform with King III principles.*

*Non-conformance with King III principles. Significant management effort required.*

| CHAPTER | GOVERNANCE ELEMENT | STATUS | SUMMARY OF FINDINGS | CURRENT STATUS AND NEXT STEPS | SELF-ASSESSMENT OF NEW STATUS |
|---|---|---|---|---|---|
| | | As reported in 2010 | | | |
| 3 | Audit committee | | The role of the audit committee must be reassessed in light of its changed role, more specifically the:<br>• Review of annual integrated reporting<br>• Implementation of a combined assurance model<br>• Approving disclosure of sustainability issues. | As per above, the audit committee terms of reference was reviewed and updated to address all Companies Act and King III requirements.<br>The audit committee reviews the integrated annual report and receives assurance on material issues, including sustainability from the external auditors who conducted a specific review for the annual review 2011.<br>In 2012, we will focus on improving and entrenching the combined assurance model.<br>As reported on 55 and 56, all audit committee members meet Companies Act independence requirements, but only two of the three are regarded as independent in terms of the King III definition. Despite this, from a knowledge, skills and experience perspective, this director is best placed to effectively contribute to committee deliberations. A process is underway to source additional independent directors during 2012, which will enable us to review the committee's composition. | |
| 4 | Governance of risk | | Current risk management framework should be more integrated and aligned to industry best-practice. | As indicated, an enterprise risk management framework has been established and implemented across the group.<br>The new framework will be supported by best-practice enabling technology that includes the ability to monitor all risks, including risks related to compliance and information technology. | |
| 5 | Governance of information technology (IT) | | The findings relate to:<br>• The board not being sufficiently involved in IT strategy and governance<br>• IT risk being managed in a fragmented manner<br>• The board not being sufficiently involved in acquisition and disposal of IT goods and services. | The board approved a management framework for information and communications technology (ICT) governance in November 2011, which will be entrenched and improved in 2012.<br>The new integrated risk management framework includes management of all ICT risks.<br>ICT acquisition and disposals fall within the same capital approval parameters as other projects and would thus, based on value, be elevated to the board.<br>The board and/or audit committee will, however, focus more on ICT and ICT projects from 2012 onwards.<br>Refer information management section for more detail. | |
| 6 | Compliance with laws, rules, codes and standards | | Although Exxaro has adopted a compliance policy, associated processes have not been implemented. | As indicated, a detailed legal register has been implemented and will be used to ensure effective compliance monitoring, reporting and assurance to the board. A compliance manager has been appointed to ensure implementation of all initiatives.<br>Although the structure and systems have been introduced, we acknowledge that significant effort will be required during 2012 to embed the principles.<br>No material incidents of non-compliance occurred in 2011. | |

| CHAPTER | GOVERNANCE ELEMENT | STATUS | SUMMARY OF FINDINGS | CURRENT STATUS AND NEXT STEPS | SELF-ASSESSMENT OF NEW STATUS |
|---|---|---|---|---|---|
| 7 | Internal audit | | Exxaro should integrate risk management and control in its business processes to create value. | See comments on chapter 4. | |
| 8 | Governing stakeholder relations | | Current stakeholder relations policies need to be reviewed by the board.<br>Integrated annual report should also disclose the nature and outcome of Exxaro's dealings with stakeholders. | During 2011 we continued with our stakeholder relations strategy, which involves: a stakeholder management process at each business unit to ensure all material issues for internal and external stakeholders have been identified and a management response instituted; secondly, forming a stakeholder panel comprising independent experts and NGOs in the social and environment fields to verify that all relevant material issues have been identified. The report of the stakeholder panel is included in this report.<br>In addition, a detailed brand and perception assessment with various stakeholders was initiated in 2011 and will be concluded in the first quarter of 2012. | |

*An independent review of our application of King III principles will again be conducted in 2012.*

## POLITICAL PARTY FUNDING

S06

In December 2011 the board approved a policy on political party funding. Exxaro agrees with the Institute for Democracy in Africa's corporate guide to political donations, which states that: "a clear policy on political funding provides for certainty, consistency and reduces the suspicion that companies are funding parties for their own narrow and commercial self-interest."

Exxaro acknowledges that the primary purpose of political donations is to strengthen and consolidate democracy by ensuring that political parties are able to function effectively. Sustaining a number of political parties that reflect a variety of political views and opinions is necessary to consolidate democratic transformation in South Africa. We believe the principle of multiparty democracy set out in the founding provisions of the Constitution of the Republic of South Africa 1996 deserves support by corporate South Africa.

Funds can be allocated according to any of the rules indicated below.

| OPTIONS | RULING PARTY | OPPOSITION A | OPPOSITION B | OPPOSITION C |
|---|---|---|---|---|
| 1 Proportional | 60% | 20% | 10% | 10% |
| 2 Pro-competition | 30% | 30% | 20% | 20% |
| 3 50% government/50% opposition (equal) | 50% | 16,6% | 16,6% | 16,6% |
| 4 50% government/50% opposition (proportional) | 50% | 30% | 15% | 5% |
| 5 Government and official opposition only (proportional) | 70% | 30% | | |
| 6 Government and official opposition only (equal) | 50% | 50% | | |

Outside the scope of this policy, in 2011, Exxaro donated R3,5 million to the African National Congress for its centenary celebration.

# BOARD

## ROLE AND COMPOSITION

Dr Konar, with his extensive experience as chairman and non-executive director of many large listed companies, provides overall leadership to the board without limiting the principle of collective responsibility of board decisions. Dr Konar also chairs in-committee discussions at the nomination committee and is not a member of any other committee of the board. He brings a wealth of financial, governance, industry and international knowledge to the Exxaro board.

The chairman is re-elected annually after assessing his independence and performance. The board has re-elected Dr Konar for the ensuing year, subject to his re-election as a director at the 2012 annual general meeting.

In line with the recommendations of King III, Exxaro has a unitary board structure, comprising:
- Four independent non-executive directors
- Six non-executive directors
- Two executive directors.

In assessing the status of directors, the principles contained in King III and the Listings Requirements of the JSE Limited were used.

At Exxaro we understand that by promoting transformation actively in all our structures, a sustainable future will be ensured in the communities in which we operate. This is also visible in the composition of our board: we are proud that the majority of our board members are historically disadvantaged South Africans. The diverse backgrounds of directors ensure a wide range of experience in commerce, industry and engineering. The directors have access to management as required, and the chairman regularly meets individually with senior management to share knowledge.

The board defines levels of authority in Exxaro, reserving specific powers for the board while delegating others to management. The collective responsibility of management vests in the chief executive officer, Mr Sipho Nkosi, who regularly reports to the board on progress towards the group's objectives and strategy.

The board is ultimately accountable and responsible to its shareholders for the performance and affairs of Exxaro. The board therefore retains full and effective control over Exxaro and gives strategic direction to its management. The board is also responsible for ensuring compliance with all relevant laws, regulations and codes.

In addition, the board has a responsibility to the broader stakeholder base – which includes present and potential beneficiaries of Exxaro products and services, clients, lenders and employees – to ensure the ongoing prosperity and sustainability of the group.

The board has a written charter that governs its powers, functions and responsibilities; and ensures that no one board member has unfettered powers of decision-making. The charter is reviewed annually. The board charter also formalises policies on board membership, composition, procedures, compliance and risk management, board evaluation, induction and remuneration.

The board selects and appoints the group company secretary and recognises the pivotal role to be played by this person in entrenching good corporate governance. All directors have access to the advice and services of the group company secretary. The board has an established procedure for directors to obtain independent professional advice at the group's cost. The group company secretary assists directors, board committees and their members in obtaining professional advice.

New directors are informed of their duties and responsibilities through extensive induction material, discussions and visits to material business units, and have access to key management members for information on

| BOARD MEETINGS 2011 | 22 FEB | 19 MAY | 16 AUG | 30 NOV |
|---|---|---|---|---|
| D Konar (chairman) | P | P | P | P |
| WA de Klerk | P | P | P | P |
| JJ Geldenhuys | P | P | P | P |
| CI Griffith | P | A | P | P |
| U Khumalo | A | P | T | P |
| N Langeni | A | A | P | P |
| VZ Mtambo | A | P | P | P |
| RP Mohring | P | P | P | P |
| SA Nkosi | P | P | P | P |
| NL Sowazi | P | P | P | P |
| J van Rooyen | P | P | T | P |
| D Zihlangu | P | P | P | P |

*P = present, A = apology, T = teleconference,*

| SPECIAL BOARD AND SUBCOMMITTEE MEETINGS 2011 | 27 JAN | 22 JUN | 3 AUG | 10 AUG | 22 SEP | 28 SEP | 15 DEC |
|---|---|---|---|---|---|---|---|
| D Konar (chairman) | A | P | P | P | P | P | P |
| WA de Klerk | P | A | P | A | P | P | P |
| JJ Geldenhuys | P | A | T | P | P | P | P |
| CI Griffith | P | P | A | A | A | A | N |
| U Khumalo | P | P | N | N | N | P | P |
| N Langeni | P | A | N | N | N | P | P |
| VZ Mtambo | P | P | P | P | P | A | P |
| RP Mohring | P | P | P | N | N | P | A |
| SA Nkosi | P | P | P | A | P | A | P |
| NL Sowazi | P | A | N | N | N | P | A |
| J van Rooyen | P | A | P | P | P | P | P |
| D Zihlangu | P | P | N | N | N | P | P |

*P = present, A = apology, T = teleconference, N = not required*

Exxaro's operations. Visits to operational businesses for all directors are part of the annual board programme.

During 2011, the board visited the Grootegeluk Medupi expansion project due to its strategic importance.

A formal ongoing directors' development programme was instituted in 2008, giving members the opportunity to attend briefing sessions to ensure they are kept abreast of local and industry developments, risk management, financial reporting and corporate governance best-practice. In addition to formal sessions, directors receive group and industry news articles daily, as well as regular analyst reports. During the year, R1 million was spent on director development and support activities, information sharing and corporate governance initiatives.

An appraisal of the board was undertaken by the group company secretary in collaboration with the chairman at the end of 2011. Feedback sessions were held and an action plan prepared to address improvement initiatives.

The performance of the chief executive officer and finance director is also evaluated against their performance contracts. This is approved annually by the remuneration and nomination committee, in conjunction with the chairman of the board.

## COMMITTEES OF THE BOARD

The board committees assist the board in executing its duties, powers and authorities. The board delegates to each committee the required authority to enable them to fulfil their respective functions through formal board-approved terms of reference.

Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities. This is reflected in the Exxaro delegation-of-authority framework which is managed by the office of the group company secretary.

This framework has been adopted by all wholly owned subsidiaries and is reviewed annually.

The board has four committees through which it operates:
- Audit committee (previously audit, risk and compliance committee)
- Sustainability, risk and compliance committee (previously safety and sustainable development committee)
- Remuneration and nomination committee (previously transformation, remuneration, human resources and nomination committee)
- Social and ethics committee (established on 1 January 2012).

In the spirit of transparency and full disclosure, each committee's independent chairman reports formally to the board after each meeting on all matters within its duties and responsibilities, including recommendations on envisaged action steps.

## AUDIT COMMITTEE

Apart from the statutory duties of the audit committee as set out in the Companies Act, and the provisions of the Listings Requirements of the JSE and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance and integrated reporting.

The committee met its responsibilities under the current terms of reference for the review period.

The committee assists the board in:
- Examining and reviewing the group's financial statements and reporting on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public
- Overseeing cooperation between internal and external auditors, and serving as a link between the board and these functions

| AUDIT MEETINGS 2011 | 21 FEB | 17 MAY | 15 AUG | 29 NOV |
|---|---|---|---|---|
| J van Rooyen (chairman) | T | P | P | P |
| RP Mohring | P | P | P | P |
| NL Sowazi | P | A | P | P |

*P = present, A = apology, T = teleconference*

# BOARD CONTINUED

- Overseeing the external audit function
- Approving the internal audit plan, fees and qualifications of the internal auditors
- Evaluating the qualification and independence of the external auditor
- Approving external audit fees
- Ensuring effective internal financial controls are in place
- Reviewing the integrity of financial risk control systems and policies
- Evaluating the scope and effectiveness of the internal audit function
- Evaluating the competency level of the finance director and finance function
- Appointing the chief audit executive
- Complying with legal and regulatory requirements.

The committee meets at least four times a year.

The three members of the committee are non-executive directors, and two are independent as defined in King III. However, all three members are considered independent in terms of Companies Act requirements. The finance director and chief audit executive attend meetings by invitation. During the review period, the committee considered, and was satisfied with the adequacy and resources of the group's finance function, including the appropriateness, expertise and experience of the finance director.

The committee determines and pre-approves the use of the external auditor for non-audit related services, guided by a formal policy that precludes the external auditor from providing services that would impair audit independence, as required by the Companies Act. This policy was reviewed and amended by the board in November 2011. Non-audit services rendered by the external auditors during the period comprised tax advisory services, tax compliance services, due-diligence reviews, accounting opinions and other advisory services. Fees for these services totalled R22 811 404.

The high increase in non-audit services rendered by the external auditors was mostly as a result of consulting work completed as part of the Tronox transaction, which had started and was approved prior to appointing PwC as external auditors.

PwC was also responsible for assuring selected sustainability issues in the annual review. The audit committee has considered the disclosure of sustainability issues in the integrated annual report and is satisfied with the contents.

## REMUNERATION AND NOMINATION COMMITTEE

The purpose of this committee (Remco) is to:
- Make recommendations on remuneration policies and practices for the company's executive directors, senior management and employees
- Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the sustainability, risk and compliance committee.

Although this is a combined committee, a process is in place to ensure the following responsibilities for the nomination element are carried out:
- Providing recommendations on the composition of the board and board committees, and ensuring the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing the procedures for appointments to the board
- Providing comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment
- Reviewing and recommending to the board its annual training programme.

More information appears in the remuneration report.

Although the board chairman is not a member of this committee, a separate agenda is set for nomination committee matters and the board chairman takes the chair.

## SUSTAINABILITY, RISK AND COMPLIANCE (SRC) COMMITTEE

The purpose of the committee is to:
- Provide oversight on three important aspects influencing strategy and the long-term viability of the company, being sustainability, risk and compliance
- Oversee and coordinate all risk and compliance activities (although the audit committee remains accountable for financial risk and compliance)
- Review significant SRC incidents, performance indicators and compliance
- Report to the board on developments, trends or significant legislation on SRC matters relevant to Exxaro's operations, assets and employees
- Identify issues and elements arising from national and international protocols applicable to Exxaro's SRC matters
- Ensure the company reports annually through an integrated annual report on SRC issues affecting it.

The committee meets at least three times a year.

| REMCO MEETINGS 2011 | 21 FEB | 12 MAY | 11 AUG | 8 NOV |
|---|---|---|---|---|
| RP Mohring (chairman) | P | P | P | P |
| JJ Geldenhuys | P | P | P | P |
| CI Griffith | P | P | P | T |
| VZ Mntambo | P | A | P | P |
| D Konar (nomination committee chairman) | P | P | P | A |

*P = present, A = apology, T = teleconference*

| SRC MEETINGS 2011 | 3 MAR | 12 MAY | 8 NOV |
|---|---|---|---|
| JJ Geldenhuys (chairman) | P | P | P |
| N Langeni | P | P | P |
| RP Mohring | A | P | P |
| D Zihlangu | P | P | P |

*P = present, A = apology*

### SOCIAL AND ETHICS COMMITTEE

This body is constituted as a statutory committee for those duties assigned to it by the Companies Act and as a committee of the board for all other duties assigned by the board.

The purpose of the committee is to monitor the group's activities – taking account of relevant legislation, other legal requirements or prevailing codes of best-practice – with regard to:
- Social and economic development
- Good corporate citizenship
- The environment, health and public safety, including the impact of the group's activities and its products or services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment
- Ensuring the group's ethics are managed effectively.

The committee will meet at least twice per annum, with the first meeting convened on 27 March 2012.

## MANAGEMENT COMMITTEES

### EXECUTIVE COMMITTEE

The executive committee (Exco) is constituted to assist the chief executive officer (CEO) in managing the group. It assists the CEO in guiding and controlling the overall direction of the company and acts as a medium of communication and coordination between business units, corporate office, subsidiary companies and the board.

All Exco members are prescribed officers in terms of the Companies Act.

The duties of Exco include:
- Overseeing the financial, operational, safety, health and environmental performance of Exxaro
- Guiding Exxaro in its relations with shareholders and key stakeholders, including employees, regulators, interested and affected parties
- Developing group strategies for board approval
- Ensuring coordination between business units, services and corporate office
- Regularly reviewing the adequacy of reporting arrangements and effectiveness of internal control and risk management
- Approving or recommending to the board expenditure and other financial commitments as specified in the framework for the delegation of authority
- Acting as a responsible corporate citizen with an ethical culture.

The committee formally meets around nine times per annum and, informally, each week.

### PORTFOLIO REVIEW COMMITTEE

The portfolio review committee is constituted as a strategy management committee to assist the CEO with portfolio management.

The committee ensures that new opportunities fit Exxaro's portfolio and determines strategic priorities. It oversees strategic initiatives and investigations into the viability of potential investment projects throughout the group. The committee discusses and challenges Exxaro's portfolio performance as well as intended strategic initiatives and projects. Initiatives aligned with the current strategy are included in proceedings of the investment review committee. Recommendations to terminate initiatives already in the current strategy or to proceed with initiatives or projects not included in the current strategy are subject to agreed governance procedures.

### INVESTMENT REVIEW COMMITTEE

The investment review committee is constituted as a management committee to assist the CEO with the management process of the group.

The committee oversees approval processes for investments. These are designed to ensure they are aligned to the group's agreed strategies and values. Risks are identified and evaluated, investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework and appropriate risk management strategies are pursued.

The main purpose of the committee is to review investments in a structured, formal and transparent manner to ensure:
- Each project meets the strategic, technical and investment requirements of the company, which includes identifying and managing all project-related risks
- Critical decisions, project parameters, safety, health and environmental impacts and governance processes are followed and addressed prior to committing funds
- Each project enhances the portfolio value of the company.

The committee also approves smaller projects within its mandate.

The committee meets approximately nine times per annum.

# BOARD CONTINUED

## OFFSHORE REVIEW COMMITTEE

This committee assists the CEO and finance director in managing Exxaro's portfolio of offshore investments and interests. Its primary responsibilities include:

- Financial control and governance of Exxaro's offshore investments and multidisciplinary interests
- Efficient financial structuring
- Providing for funding of offshore investments and expenditure
- Ensuring financial reporting, auditing and tax-related issues are properly managed
- Ensuring the company's offshore offices are effectively staffed, managed and utilised.

The committee meets quarterly, or more frequently if required.

## EXTERNAL COMMUNICATIONS

Briefing analysts, investors and fund managers is integral to maintaining investor relations. However, we only provide price-sensitive information after disclosing that information to the market.

In November 2011, the board approved a detailed securities dealing and information policy.

Broader stakeholder communication plans are in place. The group believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. This is achieved through a multitude of channels and media, including written, electronic and verbal presentations. Specifically, there are a number of mechanisms for stakeholders to interact with the board and its committees. These include annual general meetings, representative forums and internal communications across a range of platforms.

## MARKETING COMMUNICATION

In line with its corporate values, Exxaro communicates regularly and openly with all stakeholders. At all times, our communications adhere to the laws, standards and voluntary codes of accepted marketing communication in the areas where we operate. During the year, no incidents of non-compliance were recorded.

## ACCESS TO INFORMATION

The board approved a revised access to information manual for the group in November 2011. All formal requests during 2011 were complied with. The manual is available on our website.

# REMUNERATION REPORT

As indicated in the prior regulatory compliance and corporate governance review, PwC was engaged in 2009 to assess application of the King III principles from a remuneration perspective. While a number of actions were implemented in 2010 and 2011 to align with these remuneration requirements, achieving absolute application will be an ongoing exercise in coming years.

## PHILOSOPHY

The Exxaro brand is built on a strong vision – everything we do and deliver today will allow others to realise their vision tomorrow. We believe in the power of people and their ability to explore and shift boundaries, which leads to success. As such, our people strategies have been developed to reinforce our brand values:

- People-powered
- Inspired leaders
- Leading performance
- Sustainable effort.

We follow a total remuneration approach. This includes guaranteed and variable components which play a critical role in attracting, motivating and retaining the high-performing and talented individuals required to build a sustainable business.

One of our competitive sources of value is our people, and we believe that to meet our corporate goals and business objectives, our reward policies and objectives must:

- Be an integral part of an overall human resources strategy, geared to support business strategies
- Be designed to motivate and reinforce superior performance
- Be designed to motivate and reinforce living the company values in an outstanding and demonstrable manner
- Encourage the development of organisational and individual performance
- Encourage the development of competencies required to meet future business needs
- Be based on the premise that employees should share in the success of the company
- Be designed to attract and retain high-quality individuals with the optimum mix of competencies
- Be aimed at securing our people's commitment to goals via the optimum mix of financial and non-financial rewards

## GOVERNANCE

The remuneration and nomination committee (Remco, previously the transformation, remuneration, human resources and nomination committee) sets and monitors non-executive and executive remuneration for the company. This committee is responsible for making recommendations to the board on remuneration policies and practices for the company's executive directors, non-executive directors, senior management and personnel.

The committee comprises four non-executive directors. The CEO, finance director (FD), executive general manager: human resources, and compensation and benefits advisers are invited to attend any meeting, but they do not have any voting rights. For full details on the committee, refer to the review on 56.

At the annual general meeting on 22 May 2012, shareholders will be requested to approve the remuneration policy as outlined in this report as a non-binding advisory vote and that the board of directors be authorised to undertake the necessary to implement the remuneration policy as summarised here. Resolutions for consideration are included in the notice of meeting on 208 to 215.

## BENCHMARKING

External remuneration benchmarking for executives, non-executives, managers and other personnel positions is done continually and external comparisons are reported to Remco every six months.

The benchmarking used for median performance of the management specialist category is the 50th percentile (median) of the market's guaranteed remuneration values. Exxaro allows for a 30% differentiation from median market values, depending on the performance rating of the individual.

# REMUNERATION REPORT CONTINUED

## POLICY

A total remuneration approach includes guaranteed and variable components, as noted, to attract, motivate and retain the calibre of individuals required to achieve Exxaro's objectives.

| EXXARO REMUNERATION: OVERVIEW | | | | | | |
|---|---|---|---|---|---|---|
| REMUNERATION ELEMENTS | | MANAGEMENT AND SPECIALIST CATEGORY EMPLOYEES | | | | BARGAINING CATEGORY EMPLOYEES |
| | | EXECUTIVE MANAGEMENT F BAND | SENIOR MANAGEMENT E BAND | MIDDLE MANAGEMENT DU AND DM BAND | JUNIOR MANAGEMENT CU AND DL BAND | A–CM BAND |
| Guaranteed remuneration | Notional cost of employment or basic salary | Annual adjustments based on:<br>• Performance<br>• External market<br>• Internal parity<br>• Affordability | | | | Annual adjustments based on:<br>• Wage negotiations<br>• Mandate on affordability |
| | Benefits | • Retirement fund: employer and employee contributions<br>• Medical aid: employer and employee contributions<br>• Housing: company housing or allowances/subsidies applicable to specific business unit | | | | |
| | Circumstantial remuneration | • Job-specific<br>• Skills scarcity | | | | |
| Variable remuneration | Short-term incentives | Special performance:<br>• Individual performance base | | | Not applicable | |
| | | • Business unit stretch budget achievement | | | | |
| | | Second and third tier above target improvement incentives:<br>• Capped at 30% of Exxaro above-budget improvement<br>• Annually set stretched targets | | | | |
| | Long-term incentives | Deferred bonus plan (EU and above)<br>• Share match | | | Not applicable | |
| | | Long-term incentive scheme (EM and above)<br>• Performance conditions | | | Not applicable | |
| | | Share appreciation right scheme<br>• Performance conditions | | | Not applicable | |
| | | Not applicable | | | Employee share option scheme<br>• Mpower scheme – 3% and five-year employee share option scheme (applicable during 2011, but terminated on 27 November 2011)<br>• At a general meeting to be held immediately after the annual general meeting on 22 May 2012, shareholders will be requested to approve the new scheme | |

## GUARANTEED REMUNERATION

**Management and specialist category**
Employees in the management and specialist category, including executives, are remunerated on a total-package approach. Guaranteed remuneration adjustments to employees are based on the following fundamental principles:

- Remuneration based on performance: individual performance contracting and assessment
- External competitiveness: use the market median for median performance per job family, per level as reference point to determine competitiveness
- Internal equity: same job – same performance – same pay (except circumstantial)
- Affordability: all salary account-related mandates first to be included in Exxaro financial forecasting model to determine affordability.

**Non-management category**
Employees in the non-management category are remunerated on a traditional menu package comprising basic salary, housing allowance, employer contributions to retirement and medical funds. Annual adjustments are usually determined through wage negotiations where applicable.

## BENEFITS

Contributions to retirement funds and medical aids are made by both employees and employers.

## RETIREMENT FUNDS

Retirement fund contributions are made according to the specific conditions of employment and fund rules for the different levels and categories of employees. Employer and employee contributions to this fund are reflected in note 31 of the annual financial statements.

Employees belong to one of the following retirement funds:

| FUND DESCRIPTION | EMPLOYEE % CONTRIBUTION RANGE | EMPLOYER % CONTRIBUTION RANGE | TOTAL % CONTRIBUTION RANGE |
|---|---|---|---|
| Sentinel Funds | 7,50 – 13,20 | 12,50 – 20,52 | 20,00 – 28,02 |
| Mine Employees Pension Funds | 7,50 – 10,70 | 12,50 – 15,00 | 20,00 – 24,65 |
| Namakwa Sands Sentinel Funds | 6,50 – 7,50 | 13,90 – 26,60 | 20,40 – 34,10 |
| Exxaro Selector Funds (non-package and notional cost of employment) | 7,00 – 7,50 | 10,00 – 15,00 | 17,00 |
| Rosh Pinah Retirement Fund | 9,75 | 16,25 | 26,00 |
| BillProv | 7,00 | 10,50 | 17,50 |
| Iscor Employees Umbrella Provident Fund | 7,00 | 10,00 | 17,00 |
| Mine Workers Provident Funds | 7,50 – 10,70 | 12,50 – 15,00 | 20,00 – 24,65 |
| Namakwa Sands Provident Funds | 7,50 | 9,00 – 15,00 | 16,50 – 22,50 |
| Zincor: Selector Umbrella Fund | 7,00 – 8,00 | 10,00 – 14,74 | 17,00 – 22,74 |

Exxaro-accredited retirement funds are defined contribution funds. Any actuarially valued defined benefit fund obligation disclosed in the annual financial statements (note 31) merely recognises past practice with no new entrants allowed.

Contributions to medical funds that are charged against income are reflected in note 32 of the annual financial statements.

## MEDICAL BENEFIT FUNDS

Employees may annually elect to belong to any of the following medical schemes:

| BUSINESS UNIT | EXXARO COAL MPUMALANGA | NAMAKWA SANDS | EXXARO SANDS | ZINCOR | EXXARO OTHER |
|---|---|---|---|---|---|
| Fund names | Bonitas | Bonitas | Bonitas | | Bonitas |
| | Discovery | Discovery | Discovery | Discovery | Discovery |
| | Sizwe | | Umvuzo | Sizwe | Sizwe |
| | WCMAS (ringfenced) | | | | Umvuzo |
| Employee contributions | 50% | 50% | 100%* | 50% | 40% |
| Employer contributions | 50% | 50% | 0% | 50% | 60% to a max of R2 049 per month |

** Employer contributions included in package*
*Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements (note 32) merely recognises past practice that was discontinued with the creation of Exxaro in November 2006.*
*Contributions to medical funds, charged against income, are also reflected in note 32.*

# REMUNERATION REPORT CONTINUED

## VARIABLE REMUNERATION

Exxaro strives to create a culture of powering possibilities, based on the belief that people can make the difference and are a major resource in delivering sterling business results. Incentive schemes are focused on the strategic objectives of the organisation.

## SHORT-TERM INCENTIVES

The following schemes – based on individual, business unit, commodity and group-level performance – are in place:
- Individual performance reward
- A three-tier performance incentive:
  - On-target business unit incentive
  - Commodity business improvement incentive
  - Group improvement incentive.

### Individual performance reward
A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy.

### The three-tier performance incentive
This incentive was created to reinforce a performance culture and applies to all full-time employees.

The second and third tiers are profit based and 30% of gains above budget are shared with employees.

### First tier
The first tier is a line-of-sight incentive based on achieving 100% of the business unit's net operating profit target and is currently equal to 8,33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

### Second tier
The second tier is based on exceeding budgeted consolidated net operating profit target by an improvement percentage at commodity business unit level.

### Third tier
The third tier is based on exceeding budgeted consolidated group net operating profit target above the second-tier level.

## LONG-TERM INCENTIVES

Exxaro makes general share offers to participants once a year under the following approved schemes:
- Exxaro share appreciation right scheme (SAR)
- Exxaro long-term incentive scheme (LTIP)
- Deferred bonus plan (DBP).

The table below summarises Exxaro's long-term incentives.

## EXXARO SHARE APPRECIATION RIGHT SCHEME

These are rights to receive Exxaro shares equal to the value of the difference between the exercise price and grant price.

Vesting of share appreciation rights is subject to a HEPS performance condition, over a three-year performance period, set by Remco. If the performance condition is met, the share appreciation rights vest and participants have to exercise their right within seven years from date of original offer.

**LONG-TERM INCENTIVES**

| PLAN | ELIGIBILITY (EMPLOYEE PATERSON BAND) | DATE IMPLEMENTED | RIGHT SHARES ON 31 DEC 2010 | MAXIMUM AWARD PER INDIVIDUAL | PERFORMANCE CONDITION | VESTING PERIOD | GRANTS DURING 2011 | TOTAL GRANTS SINCE INCEPTION TO 31 DEC 2011 |
|---|---|---|---|---|---|---|---|---|
| Share appreciation rights | DM – FU Employee Paterson band | 01/03/2007 | 6 937 922 | 229 902 | HEPS* performance condition | 3 years | 1 541 920 | 7 347 556 |
| Long-term incentive plan | EM – FU Employee Paterson band | 01/03/2007 | 5 230 789 | 151 388 | 50% TSR** 50% ROCE*** performance condition | 3 years | 377 338 | 1 478 880 |
| Deferred bonus plan | EU – FU Employee Paterson band | 31/08/2007 | 96 374 | 19 776 | Reached short-term incentive goal | 3 years | 26 575 | 108 500 |

* *Headline earnings per share* ** *Total shareholder return* *** *Return on capital employed*

**TOTAL RIGHTS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011**

| SHARE INCENTIVE SCHEME | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010 | OFFERED 2011 | CANCELLED 2011 | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011 |
|---|---|---|---|---|
| Share appreciation right scheme | 6 937 921 | 1 541 920 | 321 556 | 7 347 566 |

Details of transactions by participants have been excluded.

## LONG-TERM INCENTIVE PLAN (LTIP)

Exxaro employees in top and senior management levels participate in the LTIP with total shareholder return and return on capital employed performance conditions.

The LTIP allows for the conditional grant of Exxaro shares to qualifying employees subject to performance conditions being met over a performance period of three years. The number of shares of the conditional share award vesting after the performance period depends on the extent to which the performance conditions, total shareholder return and return on capital employed as determined by Remco have been satisfied.

Under the rules of the LTIP, Exxaro will procure the delivery of Exxaro shares to settle the value of the vested portion of the conditional share award. The conditional share awards that do not vest at the end of the performance period will lapse.

**TOTAL AWARDS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011**

| SHARE INCENTIVE SCHEME | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010 | OFFERED 2011 | CANCELLED 2011 | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011 |
|---|---|---|---|---|
| Long-term incentive plan | 1 523 789 | 377 338 | 6 207 | 1 478 880 |

Details of transactions by participants have been excluded.

## DEFERRED BONUS PLAN (DBP)

The purpose of the DBP is to encourage directors and senior employees to use part of their after-tax values of short-term incentive and special performance reward payments to acquire shares (pledged shares) in Exxaro.

Participants who own pledged shares are entitled to a dividend but not voting rights.

If the pledged shares are held for the pledge period of three years and the participants remain employed by the company for that period, then the company will provide a matching award of free shares (matching shares).

**TOTAL AWARDS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011**

| SHARE INCENTIVE SCHEME | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010 | OFFERED 2010 | CANCELLED 2010 | NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011 |
|---|---|---|---|---|
| Deferred bonus plan | 96 374 | 26 575 | | 108 500 |

Details of transactions by participants have been excluded.

## MPOWER (EXXARO EMPLOYEE SHARE OPTION SCHEME)

The Mpower (ESOP) Trust initially (in November 2006) purchased 10 618 974 (some 3%) of Exxaro's share capital. These shares were unitised before offers were made to qualifying employees. Only employees in Paterson DL and below qualified to participate. The scheme was implemented for a five-year period and ended its term on 27 November 2011, after which it was terminated. On 23 December 2011, capital appreciation proceeds were paid to 9 694 participants. An individual who participated since inception of the scheme until it was terminated received R135 000 before deductions for tax and realisation costs.

Some 662 'good leaver' beneficiaries can submit their claims for payment until 27 November 2012. The total capital appreciation value that would have been paid out to all beneficiaries on final conclusion would be R1 044 594 568.65.

In addition, Mpower paid a total of R81,5 million, representing some R9 210 per beneficiary, in dividends over the period 2006 to 2011.

At a general meeting to be held after the annual general meeting on 22 May 2012, shareholders will be requested to approve the new scheme, which has been distributed with the integrated report, as a separate circular dated 16 April 2012.

# REMUNERATION OF: EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND SENIOR MANAGERS

## DIRECTORS

Information on the remuneration of executive directors and non-executive directors appears in the directors' report on 74 to 109.

## SENIOR MANAGERS

Recommended practice, in line with King III (2.26.2), is to disclose the salaries of the three most highly paid employees who are not directors. Within Exxaro, these individuals are also prescribed officers, as defined in the Companies Act, No 71 of 2008, as amended and hence full disclosure of the remuneration of all prescribed officers appears in the directors' report on 74 to 109.

**RP Mohring**
*Chairman*
*Remuneration committee*

27 March 2012

# MINING CHARTER SCORECARD

2011 Report for the broad-based socio-economic empowerment charter for Exxaro Resources

| | ELEMENT | DESCRIPTION | MEASURE | COMPLIANCE TARGET 2011 | ACTUAL 2011 |
|---|---|---|---|---|---|
| 1 | Reporting | Has the company reported the level of compliance with the charter for the calendar year | Documentary proof of receipt from the department | March 2012 | Report submitted March 2012 |
| 2 | Ownership | Minimum target for effective HDSA ownership | Meaningful economic participation | 15% | 52,66% |
| | | | Full shareholder rights | 15% | 52,66% |
| 3 | Housing and living conditions | Conversion and upgrading of hostels to attain the occupancy rate of one person per room | Percentage reduction of occupancy rate towards 2014 target | 25% | Accommodation:<br>• Exxaro provides accommodation to 30% of its employees<br>• Number of people sharing hostel rooms – 15<br>• Number of employees accommodated in single quarters (one person per room) – 1 202 |
| | | Conversion and upgrading of hostels into family units | Percentage conversion of hostels into family units | 25% | Family quarters:<br>• 755 employees stay in family quarters/flats<br>Housing allowance:<br>Bargaining unit employees receive either a housing allowance or a living-out allowance for accommodation. These allowances differ by job grading and are annually revised through collective bargaining. Non-bargaining unit employees receive an all-inclusive remuneration package. |
| 4 | Procurement and enterprise development | Procurement spent on BEE entity | Capital goods | 10% | 45% |
| | | | Services | 40% | 42% |
| | | | Consumable goods | 15% | 43% |
| | | Multinational suppliers contribution to the social fund | Annual spend on procurement from multinational suppliers | 0,5% | 0,35% |
| 5 | Employment equity | Diversification of the workplace to reflect the country's demographics to attain competitiveness | Top management (board) | 25% | 40% |
| | | | Senior management (Exco) | 25% | 30% |
| | | | Middle management | 35% | 52% |
| | | | Junior management | 40% | 65% |
| | | | Core skills | 20% | 25% |
| 6 | Human resources development | Development of requisite skills, including support for South African based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation | HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy) | 3,5% | 5,7% |
| 7 | Mine community development | Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis | Implement approved community projects | Implementation of projects will serve to enhance relationships among stakeholders and encourage communities to support projects | Continual engagement with all stakeholders (ie authorities, interested and affected parties) ensures a collaborative approach in implementing Exxaro community projects.<br>The establishment of a formal ethnographic consultative and collaborative socio-economic development forum at each business unit will be finalised before end November 2012.<br>The total spend on socio-economic development during 2011 was 1,77% of net profit after tax. |

| | ELEMENT | DESCRIPTION | MEASURE | COMPLIANCE TARGET 2011 | ACTUAL 2011 |
|---|---|---|---|---|---|
| 8 | Sustainable development and growth | Improvement of the industry's environmental management | Implement approved EMPs | Annual progress achieved against approved EMPs | Programmes are in place to achieve the compliance target by 2014 |
| | | Improvement of the industry's mine health and safety performance | Implementation of the tripartite action plan on health and safety | Annual progress achieved against commitments in the tripartite action plan on health and safety | In terms of implementing the tripartite action plan, Exxaro has developmental plans for 70% of the actions. These plans will ensure continuous improvement in safety, health, transforming our culture, training, adopting leading practices and supporting related research. |
| | | Utilisation of South African based research facilities for analysis of samples across the mining value | Percentage of samples in South African facilities | 25% | Exxaro has a research and development department and commissioned researched was 100% South Africa-based during 2011.<br><br>Exxaro funds four tertiary chairs as part of its research-support initiatives:<br>• Exxaro chair in global change and sustainability at University of Witwatersrand (Wits).<br>• Exxaro chair in business and climate change at University of South Africa (Unisa).<br>• Exxaro chair in biodiversity and business at University of Pretoria.<br>• Exxaro chair in energy efficiency at University of Pretoria. |
| 9 | Beneficiation | Contribution of a mining company towards beneficiation (this measure is effective from 2012) | Additional production volume contributory to local value addition beyond the baseline | The beneficiation strategy and its modalities of implementation outline the beneficiation requirements per commodity extracted in South Africa | Exxaro is in the business of mining and beneficiating minerals and products such as coal and zinc are sold as final products and used in other processes. These products cannot be further beneficiated. Other products such as mineral sands are technically complex processes and thus long-term projects.<br><br>Exxaro does not benefit from incentives in the mining charter for beneficiation as a group cannot offset ownership with beneficiation initiatives. Exxaro is black-owned and a founder member of SAMMRI which is an industry and government academic institution. The partnership with SAMMRI is to conduct medium- to long-term research on beneficiation to develop value-adding technologies and internal skills (HDSA) in South Africa.<br><br>A coal downstream project is our market coke initiative, where we are investigating the production of market coke as a reductant for the chrome industry. Our coal beneficiation target for 2014 is 0,5%.<br><br>The first full production year for Exxaro char plant was 2008. Grootegeluk beneficiates its coal in the char plant and the product is sold locally to ferrochrome smelters as reductant. Tar is processed as a by-product and sold to a tar-refining company for further processing into products such as wood preservatives. The full production capacity of the plant is 140ktpa char and 8ktpa tar.<br><br>The mineral sands business unit is investigating downstream beneficiation opportunities for titania slag and zircon. A number of new titanium metal production technologies were investigated with the aim of establishing a local production facility. Investigations and studies are medium to long term and ongoing. |

# KEY SUSTAINABILITY PERFORMANCE INDICATORS

These indicators have been assured. Please refer to the detailed annual review 2011, available online, for the full scope against which the PwC assurance report is provided.

| | UNIT | 2011 | LEVEL OF ASSURANCE |
|---|---|---|---|
| **Safety** | | | |
| Fatalities | Number | 3 | Reasonable |
| Lost-time injuries | Number | 26<br>48 (incl. contractors) | Reasonable |
| LTIFR | Rate | 0,21<br>0,20 (incl contractors) | Reasonable |
| **Occupational health** | | | |
| New accepted cases of pneumoconiosis | Number | 2 | Limited |
| New accepted cases of occupational TB | Number | 19 | Limited |
| New accepted cases of NIHL | Number | 13 | Limited |
| **Energy** | | | |
| Total diesel used | GJ | 2 830 978 | Reasonable |
| Total Sasol gas used | GJ | 276 347 | Reasonable |
| Total electricity used | GJ | 7 133 903 | Reasonable |
| **Greenhouse gases** | | | |
| Indirect $CO_2$ emissions (Scope 2) | Tons | 2 041 095 | Reasonable |
| Direct $CO_2$ emissions (Scope 1) | Tons | 443 126 | Limited |
| **Environmental compliance** | | | |
| Status of integrated water use licences | Approved<br>Pending | 14 approved<br>5 approved during 2011<br>8 pending approval | Reasonable |
| Level 2 and 3 incidences | Level 2<br>Level 3 | 28 – Level 2<br>0 – Level 3 | Limited |
| Amendments made to approved EMPRs | | There are approved EMPs in place at each mining licensed area in the Exxaro group. In the review period, no amendments were made to these existing reports. | Reasonable |
| **Water** | | | |
| Total water use | $m^3$ | 29 292 490 | Limited |
| **Dust** | | | |
| Fallout rate | $mg/m^2$/Day<br>Fallout Rates<br>Coal<br>Sands & Base Metals | Coal – 393<br>Sands & Base Metals – 585 | Limited |
| Exceedances of industrial limit | Months | Coal average months – 1<br>Coal worst performer – 3<br>Sands & Base Metals – average months – 4<br>Sands & Base Metals worst performer – 4 | Limited |
| Exceedances of residential limit | Months | Coal average months – 5<br>Coal worst performer – 8<br>Sands & Base Metals – average months – 10<br>Sands & Base Metals worst performer – 11 | Limited |
| **Land rehabilitation** | | | |
| Land disturbances versus land rehabilitation | Ha | Land disturbed – 11 785 Ha<br>Land rehabilitated – 3 046 Ha | Limited |
| **Waste** | | | |
| Hazardous waste generated | Tons | 99 435 | Limited |
| Radioactive waste (NNR) | Number | No breaches reported | Limited |
| **Mining charter** | | | |
| Employment equity | % | 41,3 | Reasonable |
| Procurement from HDSA suppliers (Rand value and % spend of total procurement value) | Number<br>% | R4,9 billion<br>59% | Reasonable |
| Socio-economic spend as per SLP (Rands) | Number | R42,3 million | Reasonable |
| % hostels converted into family units | % | 0 | Limited |
| **Education and training** | | | |
| Number of employees enrolled for ABET training | Number | 111 | Reasonable |
| Training spend in terms of the workplace skills plan (Rands) | Number | R225 million | Limited |
| **Global Reporting Initiative** | | | |
| Self-declaration of application level | Level | B+ | Limited |

# GROUP CASH VALUE ADDED STATEMENTS

for the year ended 31 December 2011 (unaudited)

The cash value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. Exxaro generates and creates value for many of its stakeholders as follows:

- Exxaro's biggest assets: employees receive salaries/wages, share-based payments as well as bonuses.
- The governments of the countries where Exxaro has operations receive taxes and royalty payments.
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods.
- Shareholders receive a fair return on their investment through dividends and growth on the share price.
- Exxaro has corporate social investment initiatives which benefit surrounding communities.
- To ensure sustainability and expansion continuous and substantial reinvestment into the group is necessary.

The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was reinvested in the group for the replacement of assets and further development of operations.

| Year ended 31 December | 2011 Rm | 2010 Rm |
|---|---|---|
| **Direct economic value generated** | | |
| Revenue from sale of products and services | 22 293 | 16 524 |
| Revenue from sale of assets | 547 | 60 |
| Income from investments and interest received | 3 524 | 1 817 |
| Operating costs (including royalties)[1] | (15 377) | (10 081) |
| **Economic value generated** | 10 987 | 8 320 |
| **Economic value distributed** | | |
| Employee wages and benefits[2] | 4 464 | 4 056 |
| Direct taxes to governments[3] | 501 | 430 |
| Interest paid and loan cost | 86 | 391 |
| Cash dividend paid | 2 122 | 1 056 |
| Community investments (including donations)[4] | 42 | 23 |
| **Economic value distributed** | 7 215 | 5 956 |
| **Economic value retained in the group to maintain and develop operations** | 3 772 | 2 364 |
| **Total economic value distributed or retained** | 10 987 | 8 320 |

*1 Payments to suppliers, non-strategic investments, royalties, and facilitation payments.*
*2 Total monetary outflows for employees.*
*3 Direct taxes to governments: gross taxes, excluding deferred tax.*
*4 Voluntary contributions and investment of funds in the broader community. Excludes legal and commercial activities such as rehabilitation costs required by law.*

| | 2011 Rm | 2010 Rm |
|---|---|---|
| **1 Taxation contribution** | | |
| Direct taxes | 501 | 430 |
| Value added taxes levied on purchases of goods and services | 2 683 | 2 010 |
| Gross contributions | 3 184 | 2 440 |
| **2 Additional amounts collected by the group on behalf of government** | | |
| Value added tax and other duties charged on turnover | 2 707 | 2 091 |
| Employees' tax deducted from remuneration paid | 1 197 | 1 016 |
| Unemployment Insurance Fund | 24 | 30 |
| Withholding tax | 1 | 4 |
| | 3 929 | 3 141 |
| **3 Levies paid to government** | | |
| Rates and taxes paid to local authorities | 36 | 28 |
| Royalties paid to government | 190 | 115 |
| Workers' Compensation Fund | 8 | 10 |
| Unemployment Insurance Fund | 24 | 30 |
| Skills Development Levy | 30 | 30 |
| | 288 | 213 |

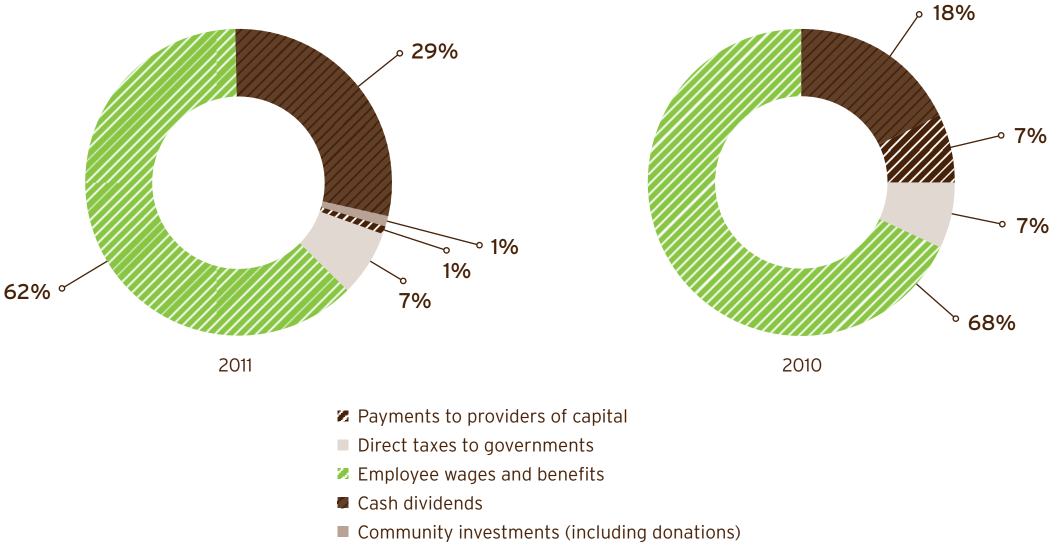
# GROUP CASH VALUE ADDED STATEMENTS CONTINUED

for the year ended 31 December 2011 (unaudited)

| Year ended 31 December | 2011 Rm | 2010 Rm |
|---|---|---|
| **4 Direct taxes per country** | | |
| Republic of South Africa | 441 | 392 |
| Namibia | 49 | 34 |
| Netherlands | 10 | 3 |
| Australia[1] | | |
| | 500 | 429 |
| **5 Community investments per country/region** | | |
| RSA: Gauteng and corporate projects | 14 | 7 |
| RSA: KwaZulu-Natal | | 2 |
| RSA: Limpopo | 11 | 7 |
| RSA: Mpumalanga | 14 | 4 |
| RSA: Western Cape | 2 | 3 |
| Namibia | 1 | |
| | 42 | 23 |

*1 No taxes were paid due to the tax losses carried forward from previous years.*

**VALUE ADDED**



# SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLARS

for the year ended 31 December 2011 (unaudited)

The group statutory 2011 financial statements have been expressed in US dollars for information purposes. The selected group financial data includes continued and discontinued operations.

The average US dollar/rand of US$1: R7,22 (2010: US$1: R7,30 ) has been used to translate the statement of comprehensive income and statement of cash flows, while the statement of financial position has been translated at the closing rate on the last day of the reporting period of US$1: R8,18 (2010: US$1: R6,63).

| STATEMENT OF COMPREHENSIVE INCOME | 2011 US$m | 2010 US$m |
|---|---|---|
| **Revenue** | 2 952 | 2 350 |
| Operating expenses | (2 345) | (1 989) |
| **NET OPERATING PROFIT** | 607 | 361 |
| Net financing costs | (40) | (62) |
| Income from equity-accounted investments | 647 | 509 |
| **PROFIT BEFORE TAX** | 1 214 | 808 |
| Income tax expense | (154) | (91) |
| **PROFIT FOR THE YEAR** | 1 060 | 717 |
| **Profit attributable to:** | | |
| Owners of the parent | 1 059 | 713 |
| Non-controlling interests | 1 | 4 |
| | 1 060 | 717 |
| **ATTRIBUTABLE EARNINGS PER SHARE (CENTS)** | 242 | 206 |
| **HEADLINE EARNINGS** | 1 012 | 710 |
| **HEADLINE EARNINGS PER SHARE (CENTS)** | 291 | 205 |
| **STATEMENTS OF FINANCIAL POSITION** | | |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 1 308 | 2 007 |
| Biological assets | 8 | 7 |
| Intangible assets | 16 | 11 |
| Investments in associates | 583 | 585 |
| Deferred tax | 28 | 110 |
| Financial assets | 188 | 208 |
| **Current assets** | | |
| Cash and cash equivalents | 130 | 323 |
| Inventories | 72 | 471 |
| Trade and other receivables | 337 | 565 |
| Current tax receivable | 13 | 16 |
| **Non-current assets classified as held-for-sale** | 1 832 | 13 |
| **TOTAL ASSETS** | 4 515 | 4 316 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | 2 885 | 2 630 |
| **Non-controlling interests** | 2 | (3) |
| **Non-current liabilities** | | |
| Interest-bearing borrowings | 269 | 550 |
| Deferred tax, non-current provisions and financial liabilities | 507 | 535 |
| **Current liabilities** | | |
| Interest-bearing borrowings | 106 | 108 |
| Trade and other payables | 408 | 461 |
| Current tax payable | 6 | 22 |
| Current provisions | 18 | 5 |
| **Non-current liabilities classified as held-for-sale** | 314 | 8 |
| **TOTAL EQUITY AND LIABILITIES** | 4 515 | 4 316 |
| **NET (CASH)/DEBT (refer definitions on 70)** | (32) | 335 |
| **STATEMENTS OF CASH FLOWS** | | |
| Cash flows from operating activities | 524 | 324 |
| Cash flows from investing activities | (182) | (130) |
| Cash flows from financing activities | (84) | (37) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 258 | 157 |

# DEFINITIONS

**ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE**
Cash flow from operating activities after adjusting for participation of non-controlling interests therein divided by the weighted average number of ordinary shares in issue during the year.

**CAPITAL EMPLOYED**
Total equity plus net debt minus non-current financial assets.

**CASH AND CASH EQUIVALENTS**
Comprise cash on hand and current accounts in bank, net of bank overdrafts, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

**CURRENT RATIO**
Current assets divided by current liabilities.

**DIVIDEND COVER**
Attributable earnings per ordinary share divided by dividends per ordinary share.

**DIVIDEND YIELD**
Dividends per ordinary share divided by the closing share price on the JSE Limited.

**EARNINGS PER ORDINARY SHARE**

- **Attributable earnings basis**
  Earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year.

- **Headline earnings basis**
  Earnings attributable to owners of the parent adjusted for profits and losses on items of a capital nature recognising the tax and non-controlling interests impacts on these adjustments, divided by the weighted average number of ordinary shares in issue during the year.

**FINANCING COST COVER**

- **EBIT** – net operating profit before interest and tax divided by net financing costs.

- **EBITDA** – net operating profit before interest, tax, depreciation, amortisation, impairment charges and net deficit/surplus on sale of investments and assets divided by net financing cost.

**HEADLINE EARNINGS YIELD**
Headline earnings per ordinary share divided by the closing share price on the JSE Limited.

**INVESTED CAPITAL**
Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

**NET ASSETS**
Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent.

**NET DEBT TO EQUITY RATIO**
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

**NET EQUITY PER ORDINARY SHARE**
Equity attributable to owners of the parent divided by the number of ordinary shares in issue at year end.

**NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT**
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

**OPERATING MARGIN**
Net operating profit as a percentage of revenue.

**OPERATING PROFIT PER EMPLOYEE**
Net operating profit divided by the average number of employees during the year.

**RETURN ON CAPITAL EMPLOYED**
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of average capital employed.

**RETURN ON ORDINARY SHAREHOLDERS' EQUITY**

- **Attributable earnings**
  Attributable earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

- **Headline earnings**
  Headline earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

**RETURN ON INVESTED CAPITAL**
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average invested capital.

**RETURN ON NET ASSETS**
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average net assets.

**REVENUE PER EMPLOYEE**
Revenue divided by the average number of employees during the year.

**TOTAL ASSET TURNOVER**
Revenue divided by average total assets.

**WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE**
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

# GROUP ANNUAL FINANCIAL STATEMENTS



These financial statements for the year ended 31 December 2011 have been prepared under the supervision of WA de Klerk (CA)SA, South African Institute of Chartered Accountants (SAICA) registration number 00133273.

# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING TO THE MEMBERS OF EXXARO RESOURCES LIMITED

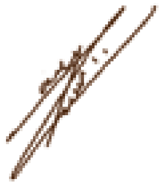
The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and the group and to develop and maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit committee which consists only of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and risk management. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comments made by the external auditors on the results of their audit conducted for the purpose of expressing their opinion on the annual financial statements, that the internal accounting controls are adequate, such that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have reviewed the group's financial budgets with its underlying business plans for the period to 31 December 2012. In light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Against this background, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 21 February 2012 and are signed on its behalf by:



| | |
|---|---|
| **SA Nkosi**<br>*Chief Executive Officer* | **WA de Klerk**<br>*Finance Director* |

21 February 2012

The independent external auditors have audited the annual financial statements of the company and group and their unmodified report appears on 73.

# CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No 71 of 2008, as amended, I, CH Wessels, in my capacity as group company secretary, confirm that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

**CH Wessels**
*Group Company Secretary*

21 February 2012

# REPORT OF THE INDEPENDENT AUDITOR ON THE ANNUAL FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

We have audited the consolidated annual financial statements and annual financial statements of Exxaro Resources Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report set out on pages 74 to 207.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited as at 31 December 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

**PricewaterhouseCoopers Inc.**

Director: TD Shango
*Registered Auditor*

Johannesburg

23 February 2012

# REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2011.

## NATURE OF BUSINESS

Exxaro, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, base metals, and selected industrial minerals. Exxaro also holds a 19,98% interest in Sishen Iron Ore Company Proprietary Limited which extracts and processes iron ore.

## CORPORATE GOVERNANCE

The board of Exxaro endorses the principles contained in the King Report on Governance for South Africa 2009 (King III Report). Full details on how these principles were applied in Exxaro and the actions undertaken to achieve full application are set out in the Corporate Governance Review on 50 to 53.

## REGISTRATION DETAILS

Exxaro is a company listed on the JSE Limited. The company registration number is 2000/011076/06.

The registered office is Roger Dyason Road, Pretoria West, 0183, South Africa.

## ACTIVITIES AND FINANCIAL RESULTS

Summarised information on the activities and performance of the group and the various divisions of the group are contained in the report on 2 to 9 as well as in the financial and operational reviews on 34 to 37. These reports are unaudited.

## CAPITAL MANAGEMENT

As a diversified mining group, Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure that it maintains a robust capital structure with strong financial metrics underpinned by adequate borrowing facilities to withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholder return as well as compliance with contractually agreed loan covenants. For the year under review the following key metrics were achieved:

| | 2011 | 2010 |
|---|---|---|
| Net (cash)debt/equity ratio (%) | (1) | 13 |
| Net financing cost cover – EBITDA (times) | 18 | 9 |
| Return on capital employed (%) (refer definitions on 70) | 45 | 38 |

The capital base consists of total shareholders' equity as disclosed, as well as interest bearing borrowings. As a new generation empowerment company with a 52,66% BEE shareholding as at 31 December 2011, Exxaro is constrained from issuing equity, and its memorandum of incorporation accordingly incorporates various provisions limiting the issue of new shares or alterations to its share capital that could result in a loss of its empowerment status.

The group aims to cover its annual net funding requirements through longer-term loan facilities with maturities spread evenly over time.

## PROPERTY, PLANT AND EQUIPMENT

Although the intention is to progress to distributing 50% of attributable earnings to shareholders, adequate provision is made for future commitments and working capital requirements in determining the level of interim and final dividends to shareholders.

The group may from time to time repurchase its own shares in the open market, depending on prevailing market prices. These share repurchases are primarily intended to settle the group's various employee share incentive schemes and decisions are made on a specific transaction basis by the executive committee. The group does not, however, have a defined share buy-back plan.

On 30 November 2011, the company repurchased and delisted 4 474 572 of the company's own shares at the par value of one cent each (total consideration: R44 745,72) from the Exxaro Employee Empowerment Participation Scheme in terms of article 39 of the company's memorandum of incorporation and in accordance with section 48 of the Companies Act No 71 of 2008, as amended (Companies Act) and the Listings Requirements of the JSE Limited. The directors had applied the solvency and liquidity test and were satisfied that the company would satisfy the test immediately after completion of the repurchase.

During the year, the group complied with all its contractually-agreed loan covenants.

There were no significant changes in the group's approach to capital management during the year. The group continuously reviews its capital expenditure programmes, including sustaining capital to ensure that its capital structure remains robust to withstand any economic downturns.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

Capital expenditure for the period amounted to R4 926 million (2010: R2 677 million).

## SHAREHOLDERS' RESOLUTIONS

At the tenth annual general meeting of shareholders, held on 19 May 2011, the following resolutions were passed:
- approval of financial statements;
- re-election of directors;
- ratification and approval of non-executive directors' fees for 2011;
- appointment of audit committee members;
- approval of remuneration policy;
- appointment of independent auditors and auditors' fees;
- renewal of the authority that unissued shares be placed under the control of the directors;

- general authority to issue shares for cash;
- authorisation of directors and/or secretary to implement the resolutions; and a
- special resolution to authorise directors to repurchase company shares.

At an extraordinary general meeting of shareholders held on 29 November 2011, the following resolutions were passed:
- amendment of the Exxaro Resources Limited long-term incentive plan 2006;
- amendment of the Exxaro Resources Limited share appreciation right scheme 2006;
- amendment of the Exxaro Resources Limited deferred bonus plan 2006;
- special resolution for provision of financial assistance;
- special resolution to confirm non-executive directors' fees for 2011; and
- special resolution to approve non-executive directors' additional meeting fees for 2011.

As part of the Tronox transaction (refer 4 for full details), the following subsidiaries were required to pass special resolutions relating to the disposal of the greater part of their assets or undertaking in accordance with sections 65(11)(l), 112 and 115 of the Companies Act:
- Exxaro Sands Proprietary Limited;
- Exxaro TSA Sands Proprietary Limited; and
- Exxaro Holdings Sands Proprietary Limited.

In addition, as part of the same transaction as mentioned above, Exxaro Holdings Sands Proprietary Limited passed a special resolution for the granting of financial assistance to a related party in accordance with sections 45 and 65 (11)(f) of the Companies Act.

Other than those noted above, Exxaro and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of a substantive nature.

## SHARE CAPITAL

### AUTHORISED

500 000 000 ordinary shares of R0,01 each.

### ISSUED

354 234 548 (2010: 358 089 230) ordinary shares of R0,01 each.

The decrease can be summarised as follows:

| | Number of shares |
|---|---|
| Opening balance | 358 089 230 |
| Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R12,90 to R47,73 | 619 890 |
| Repurchase of shares for Mpower unwinding | (4 474 572) |
| Closing balance | 354 234 548 |

## SHAREHOLDERS

An analysis of shareholders and shareholdings appears on 206 to 207 of the annual report.

## DIVIDEND PAYMENTS

### DIVIDEND NUMBER 17

Interim dividend number 17 of 300 cents per share was declared in South African currency in respect of the period ended 30 June 2011.

The dividend was paid in South African currency on Monday, 26 September 2011 to shareholders recorded in the register of the company at close of business on Friday, 23 September 2011. In order to comply with the requirements of strate, the last day to trade cum dividend was Friday, 16 September 2011. The shares commenced trading ex dividend on Monday, 19 September 2011 and the record date was Friday, 23 September 2011.

### DIVIDEND NUMBER 18

Final dividend number 18 of 500 cents per share was approved on 22 February 2012 and declared in South African currency in respect of the period ended 31 December 2011.

The dividend payment date is Monday, 02 April 2012 to shareholders recorded in the books of the company at close of business on Friday, 30 March 2012. To comply with the requirements of Strate, the last day to trade cum dividend is Friday, 23 March 2012. The shares will commence trading ex dividend on Monday, 26 March 2012 and the record date is Friday, 30 March 2012.

The final dividend for 2011 will amount to a cash outflow of approximately R1 771 million.

## INVESTMENTS AND SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in Annexures 2 and 3 to the financial statements.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date of 31 December 2011, Exxaro, through its wholly-owned subsidiary Exxaro Australia Iron Investments Proprietary Limited, launched an off-market takeover bid for African Iron Limited (African Iron). This offer initially remained open for acceptance until 14 February 2012. By 14 February 2012 Exxaro obtained a shareholding of 66,6% in African Iron, with the offer automatically extended by a further 14 days until 28 February 2012, in line with the Australian Stock Exchange takeover rules. By 28 February 2012, Exxaro had extended the shareholding obtained to over 90%. The bid does not represent an adjusting event.

Exxaro has concluded an agreement with Tata Power of India to form a joint venture, Cennergi Proprietary Limited, to develop and operate cleaner energy and renewable energy projects.

The directors are not aware of any matter or circumstance that has arisen since the end of the financial period not dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

# REPORT OF THE DIRECTORS (CONTINUED)

## DIRECTORATE AND SHAREHOLDINGS

The names of the directors in office at the date of this report are set out on 44 and 45.

Ms N Langeni resigned as non-executive director effective 18 January 2012. The board expressed its sincere appreciation for her contribution during her term of office. As a result, Ms S Dakile-Hlongwane was appointed as non-executive director of the board on 21 February 2012, as the Basadi Ba Kopane Investments Proprietary Limited nominated representative.

Ms S Dakile-Hlongwane is required to retire in terms of article 15.2 of the memorandum of incorporation of the company, and being eligible, offers herself for re-election at the forthcoming annual general meeting.

The following directors are also required to retire by rotation in terms of article 16.1 of the memorandum of incorporation of the company, and being eligible for re-election, offer themselves for re-election at the forthcoming annual general meeting:

- Mr U Khumalo;
- Dr D Konar; and
- Mr RP Mohring.

## GROUP COMPANY SECRETARY

Ms MS Viljoen retired as company secretary of the company on 30 June 2011. The board expressed its sincere appreciation for her service during her term of office. Ms CH Wessels was appointed as group company secretary on 1 July 2011.

The group company secretary is CH Wessels. The group company secretary's registered address is:

Roger Dyason Road,
Pretoria West,
0183
South Africa

PO Box 9229
Pretoria,
0001
South Africa

## AUDIT COMMITTEE

The audit committee (previously referred to as the audit, risk and compliance committee) of Exxaro operates within prescribed terms of reference incorporating all duties and responsibilities as required by the:

- Companies Act;
- Listings Requirements of the JSE Limited; and
- King III report.

The committee had nominated PricewaterhouseCoopers Incorporated (PwC) as external auditor for the 2011 financial year, which appointment was approved at the annual general meeting of shareholders held on 19 May 2011. Refer to the governance review on 46 to 53 for further details on the composition, role, purpose and principal functions of the audit committee.

At the board meeting held on 21 February 2012, Mr J van Rooyen was re-elected as chairman of the audit committee for the following year, subject to his re-election as an audit committee member by shareholders at the annual general meeting.

## INDEPENDENT AUDITORS

PwC was appointed as independent auditors on 19 May 2011 in accordance with section 90 of the Companies Act. At the audit committee meeting held on 16 February 2012, PwC was re-nominated as independent auditors for the 2012 financial year.

## NON-AUDIT SERVICES

Exxaro has an approved board policy to regulate the use of non-audit services by the group's independent auditors, which policy was reviewed and re-approved in November 2011. The policy differentiates between permitted and prohibited non-audit services, and specifies a monetary threshold by which approvals are considered. During the year under review, PwC were engaged for tax advisory, enterprise risk management, merger and acquisition, due diligence reviews and non-financial assurance for purposes of the 2012 annual integrated report. The fees applicable to these services totalled R22,8 million. Refer to governance review for details.

## CHANGE IN ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2011 are consistent, in all material respect, with those applied in the annual financial statements for the year ended 31 December 2010.

No changes in accounting policies were effected during the year ended 31 December 2011.

## BORROWING POWERS

Borrowing capacity is determined by the directors in terms of the Memorandum of Incorporation, from time to time:

| | GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | **Rm** | Rm |
| Amount approved | **29 510** | 21 850 |
| Total borrowings | **(3 902)** | (4 360) |
| Unutilised borrowing capacity | **25 608** | 17 490 |

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2011 and 2010 financial years.

### GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regulatory requirements.

### EMPLOYEE INCENTIVE SCHEMES

Details of the group's employee incentive schemes are set out on 192 to 196 of this report.

## ANNUAL GENERAL MEETING

The eleventh annual general meeting of shareholders of Exxaro will be held at the Corporate Office, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Tuesday, 22 May 2012. Refer to 208 to 215 of these annual financial statements for further details of the ordinary and special business for consideration at this meeting.

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The report on remuneration and related matters covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the remuneration and nomination committee (previously Tremco) and meets the requirements of the Companies Act.

## REMUNERATION POLICY

The remuneration and nomination committee (Remco) has a clearly defined mandate from the board aimed at:

- ensuring that the company's chairman, directors, senior executives and employees are fairly rewarded for their individual contributions to the company's overall performance; and
- ensuring that the company's remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company.

## DIRECTORS' SERVICE CONTRACTS

All executive directors' normal contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts.

There are no restraints of trade associated with the contracts of executive directors.

## RELATED PARTY TRANSACTIONS

Details of the group's related party transactions are set out on 184 and 185 of this report.

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## SUMMARY OF REMUNERATION RECEIVED OR RECEIVABLE

| Year ended 31 December 2011 | Basic salary R | Fees for services R | Performance bonuses[1] R |
|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | |
| SA Nkosi | 5 653 180 | | 3 424 467 |
| WA de Klerk | 3 527 231 | | 1 943 798 |
| | 9 180 411 | | 5 368 265 |
| *Less:* gains on share scheme | | | |
| *Add:* share-based payment expense | | | |
| **Total remuneration paid by Exxaro** | | | |
| **NON-EXECUTIVE DIRECTORS** | | | |
| JJ Geldenhuys | | 489 120 | |
| CI Griffith | | 330 200 | |
| U Khumalo[3] | | 236 130 | |
| Dr D Konar *(chairman)* | | 849 347 | |
| N Langeni | | 311 797 | |
| VZ Mntambo | | 324 297 | |
| RP Mohring | | 567 580 | |
| NL Sowazi[3] | | 331 590 | |
| J van Rooyen | | 460 300 | |
| D Zihlangu | | 311 797 | |
| **Total remuneration paid by Exxaro** | | 4 212 158 | |
| **PRESCRIBED OFFICERS** | | | |
| PT Arran | 2 944 806 | | 1 664 321 |
| MDM Mgojo | 3 061 375 | | 1 600 575 |
| M Piater | 2 460 818 | | 1 267 868 |
| WH van Niekerk | 3 018 432 | | 1 793 080 |
| PE Venter | 2 799 181 | | 1 739 462 |
| M Veti | 1 911 358 | | 971 499 |
| MS Viljoen[4] | 939 012 | | 335 823 |
| C H Wessels[5] | 674 029 | | 418 044 |
| | 17 809 011 | | 9 790 672 |
| *Less:* gains on share scheme | | | |
| *Add:* share-based payment expense | | | |
| **Total remuneration paid by Exxaro** | | | |

*1 All incentive schemes are performance related and were approved by the board. The three-tier short-term incentive scheme applies to all employees throughout the group.*
*2 Include travel allowances.*
*3 Fees paid to the respective employer and not the individual.*
*4 Retired effective 31 August 2011 (as company secretary effective 30 June 2011).*
*5 Appointed effective 1 June 2011 (as group company secretary effective 1 July 2011).*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

| Benefits and allowances[2] | Retirement fund contributions | Gains on management share option scheme | Other | Total |
|---|---|---|---|---|
| R | R | R | R | R |
| 80 692 | 526 376 | 7 372 141 | 7 669 | 17 064 525 |
| 195 796 | 303 286 | 7 614 078 | 5 352 | 13 589 541 |
| 276 488 | 829 662 | 14 986 219 | 13 021 | 30 654 066 |
| | | | | (14 986 218) |
| | | | | 11 267 550 |
| | | | | 26 935 398 |
| 25 961 | | | | 515 081 |
| | | | | 330 200 |
| | | | | 236 130 |
| 8 715 | | | | 858 062 |
| 5 721 | | | | 317 518 |
| | | | | 324 297 |
| 16 825 | | | | 584 405 |
| | | | | 331 590 |
| | | | | 460 300 |
| | | | | 311 797 |
| 57 222 | | | | 4 269 380 |
| 45 000 | 223 788 | 1 552 934 | 4 832 | 6 435 681 |
| 75 350 | 250 471 | 2 757 243 | 4 840 | 7 749 854 |
| 118 208 | 232 592 | 2 699 785 | 7 642 | 6 786 913 |
| 145 642 | 283 919 | 4 293 509 | 4 906 | 9 539 488 |
| 215 411 | 252 831 | 8 459 835 | 4 500 | 13 471 220 |
| 76 185 | 182 611 | 1 213 700 | 3 638 | 4 358 991 |
| 9 750 | 65 932 | 691 213 | 1 919 | 2 043 649 |
| 317 255 | 54 785 | | 1 653 | 1 465 766 |
| 1 002 801 | 1 546 929 | 21 668 219 | 33 930 | 51 851 562 |
| | | | | (21 668 219) |
| | | | | 13 048 438 |
| | | | | 43 231 781 |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## SUMMARY OF REMUNERATION RECEIVED OR RECEIVABLE (CONTINUED)

| Year ended 31 December 2010 | Basic salary R | Fees for services R | Performance bonuses[1] R |
|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | |
| SA Nkosi | 5 233 180 | | 3 150 335 |
| WA de Klerk | 2 879 349 | | 1 633 632 |
| | 8 112 529 | | 4 783 967 |
| *Less:* gains on share scheme | | | |
| *Add:* share-based payment expense | | | |
| **Total remuneration paid by Exxaro** | | | |
| **NON-EXECUTIVE DIRECTORS** | | | |
| JJ Geldenhuys | | 411 680 | |
| CI Griffith[4] | | 236 487 | |
| U Khumalo[4] | | 200 120 | |
| Dr D Konar (chairman) | | 603 200 | |
| N Langeni[3] | | 191 622 | |
| VZ Mntambo | | 268 460 | |
| RP Mohring | | 509 330 | |
| NL Sowazi[4] | | 297 770 | |
| J van Rooyen | | 371 031 | |
| D Zihlangu | | 268 460 | |
| **Total remuneration paid by Exxaro** | | 3 358 160 | |
| **PRESCRIBED OFFICERS** | | | |
| PT Arran | 2 349 475 | | 1 236 338 |
| MDM Mgojo | 2 496 795 | | 1 130 777 |
| M Piater | 2 010 100 | | 902 492 |
| WH van Niekerk | 2 417 547 | | 1 314 644 |
| PE Venter | 2 604 005 | | 1 313 261 |
| MS Viljoen | 1 130 293 | | 413 758 |
| | 13 008 215 | | 6 311 270 |
| *Less:* gains on share scheme | | | |
| *Add:* share-based payment expense | | | |
| **Total remuneration paid by Exxaro** | | | |

*1 All incentive schemes are performance related and were approved by the board. The three-tier short-term incentive scheme applies to all employees throughout the group.*
*2 Include travel allowances.*
*3 Appointed on 23 February 2010.*
*4 Fees paid to the respective employer and not the individual.*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

| | Benefits and allowances[2] | Retirement fund contributions | Gains on management share option scheme | Other | Total |
|---|---|---|---|---|---|
| | R | R | R | R | R |
| | 97 403 | 458 341 | 4 457 001 | 6 005 | 13 402 265 |
| | 225 137 | 274 397 | 2 231 251 | 3 488 | 7 247 254 |
| | 322 540 | 732 738 | 6 688 252 | 9 493 | 20 649 519 |
| | | | | | (6 688 252) |
| | | | | | 9 890 618 |
| | | | | | 23 851 885 |
| | 34 003 | | | | 445 683 |
| | | | | | 236 487 |
| | | | | | 200 120 |
| | | | | | 603 200 |
| | 6 569 | | | | 198 191 |
| | | | | | 268 460 |
| | 26 520 | | | | 535 850 |
| | | | | | 297 770 |
| | | | | | 371 031 |
| | 3 179 | | | | 271 639 |
| | 70 271 | | | | 3 428 431 |
| | 226 995 | 194 258 | 1 163 621 | 4 392 | 5 175 079 |
| | 99 140 | 220 459 | 2 115 183 | 4 439 | 6 066 793 |
| | 92 012 | 202 400 | 1 141 580 | 3 905 | 4 352 489 |
| | 114 962 | 238 219 | 929 108 | 4 392 | 5 018 872 |
| | 186 620 | 231 589 | 2 207 363 | 4 654 | 6 547 492 |
| | 60 495 | 95 281 | 993 862 | 2 842 | 2 696 531 |
| | 780 224 | 1 182 206 | 8 550 717 | 24 624 | 29 857 256 |
| | | | | | (8 550 717) |
| | | | | | 11 015 180 |
| | | | | | 32 321 719 |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

| At 31 December 2011 | Direct | Indirect |
|---|---|---|
| **Directors' beneficial interest in Exxaro shares** | | |
| **DIRECTOR** | | |
| SA Nkosi | 19 776 | 9 837 655 |
| WA de Klerk | 33 695 | |
| JJ Geldenhuys | | |
| CI Griffith | | |
| U Khumalo | | |
| Dr D Konar (chairman) | 168 | |
| N Langeni | | |
| VZ Mntambo | | 5 529 881 |
| RP Mohring | | |
| NL Sowazi | | 3 038 387 |
| J van Rooyen | | |
| D Zihlangu | | 2 818 552 |
| **Directors' non-beneficial interest in Exxaro shares** | | |
| **DIRECTOR** | | |
| SA Nkosi | | |
| WA de Klerk | | 54 950 |
| JJ Geldenhuys | | |
| CI Griffith | | |
| U Khumalo | | |
| Dr D Konar (chairman) | | |
| N Langeni | | |
| VZ Mntambo | | |
| RP Mohring | | |
| NL Sowazi | | |
| J van Rooyen | | |
| D Zihlangu | | |

| At 31 December 2010 | Direct | Indirect |
|---|---|---|
| **Directors' beneficial interest in Exxaro shares** | | |
| **DIRECTOR** | | |
| SA Nkosi | | 9 698 806 |
| WA de Klerk | 1 462 | |
| JJ Geldenhuys | | |
| CI Griffith | | |
| U Khumalo | | |
| Dr D Konar (chairman) | 168 | |
| N Langeni | | |
| VZ Mntambo | | 5 529 881 |
| RP Mohring | | |
| NL Sowazi | | 3 038 387 |
| J van Rooyen | | |
| D Zihlangu | | 2 818 552 |
| **Directors' non-beneficial interest in Exxaro shares** | | |
| **DIRECTOR** | | |
| SA Nkosi | | |
| WA de Klerk | | 54 950 |
| JJ Geldenhuys | | |
| CI Griffith | | |
| U Khumalo | | |
| Dr D Konar (chairman) | | |
| N Langeni | | |
| VZ Mntambo | | |
| RP Mohring | | |
| NL Sowazi | | |
| J van Rooyen | | |
| D Zihlangu | | |

There has been no change to the interest of directors in share capital since 31 December 2011 to the date of this report.

On 31 December 2011 Mr SA Nkosi held 2,8% (2010: 2,7%), Mr VZ Mntambo held 1,6% (2010: 1,5%), Mr NL Sowazi held 0,9% (2010: 0,8%) and Mr D Zihlangu held 0,8% (2010: 0,8%) directly or indirectly in the share capital of the company.

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## DIRECTORS' AND PRESCRIBED OFFICERS' SHARE OPTIONS AND RESTRICTED SHARE AWARDS

The following options and rights in shares in the company were exercised or are outstanding in favour of directors of the company under the company's share option schemes:

**Management share option scheme**

| Year ended 31 December 2011 | Options held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| WA de Klerk | 8 750 | 19,62 | 22/04/2012 | 1 470 000 |
| | 8 750 | | | 1 470 000 |

1 *Based on a share price of R168,00 which prevailed on 31 December 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | 3 230 | 13,62 | 155,00 | 456 657 | 08/03/2011 |
| | 5 445 | 12,90 | 155,00 | 773 735 | 08/03/2011 |
| | 3 726 | 12,90 | 155,01 | 529 502 | 08/03/2011 |
| | 134 | 12,90 | 155,02 | 19 044 | 08/03/2011 |
| | 1 120 | 12,90 | 154,70 | 158 816 | 08/03/2011 |
| | 631 | 12,90 | 154,72 | 89 488 | 08/03/2011 |
| | 24 | 12,90 | 154,86 | 3 407 | 08/03/2011 |
| | 1 202 | 12,90 | 154,87 | 170 648 | 08/03/2011 |
| | 1 083 | 12,90 | 154,88 | 153 764 | 08/03/2011 |
| | 800 | 12,90 | 155,20 | 113 840 | 08/03/2011 |
| | 1 099 | 12,90 | 155,22 | 156 410 | 08/03/2011 |
| | 1 318 | 12,90 | 155,23 | 187 591 | 08/03/2011 |
| | 2 365 | 12,90 | 155,07 | 336 232 | 08/03/2011 |
| | 412 | 12,90 | 155,29 | 58 665 | 08/03/2011 |
| | 360 | 12,90 | 155,41 | 51 304 | 08/03/2011 |
| | 3 437 | 12,90 | 155,60 | 490 460 | 08/03/2011 |
| | 462 | 12,90 | 155,62 | 65 937 | 08/03/2011 |
| | 148 | 12,90 | 155,63 | 21 124 | 08/03/2011 |
| | 385 | 12,90 | 155,77 | 55 005 | 08/03/2011 |
| | 315 | 12,90 | 155,84 | 45 026 | 08/03/2011 |
| | 1 281 | 12,90 | 156,00 | 183 311 | 08/03/2011 |
| | 299 | 12,90 | 156,01 | 42 790 | 08/03/2011 |
| | 904 | 12,90 | 156,02 | 129 380 | 08/03/2011 |
| | 265 | 12,90 | 156,13 | 37 956 | 08/03/2011 |
| | 731 | 12,90 | 156,19 | 104 745 | 08/03/2011 |
| | 832 | 12,90 | 156,22 | 119 242 | 08/03/2011 |
| | 352 | 12,90 | 156,23 | 50 452 | 08/03/2011 |
| 1 298 325 | | | | | |
| 1 298 325 | 32 360 | | | 4 604 531 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

### Directors' and prescribed officers' share options and restricted share awards (continued)

#### Management share option scheme (continued)

| Year ended 31 December 2011 | Options held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| M Piater | | | | |
| | 4 510 | 19,62 | 22/04/2011 | 757 680 |
| | 4 510 | | | 757 680 |
| WH van Niekerk | | | | |
| | 6 460 | 19,62 | 22/04/2011 | 1 085 280 |
| | 6 460 | | | 1 085 280 |
| PE Venter | | | | |
| | | | | |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | 193 | 12,90 | 144,01 | 25 304 | 16/03/2011 |
| | 3 766 | 12,90 | 144,00 | 493 723 | 16/03/2011 |
| | 500 | 12,90 | 144,02 | 65 560 | 16/03/2011 |
| | 3 081 | 12,90 | 143,80 | 403 303 | 16/03/2011 |
| 669 194 | | | | | |
| 669 194 | 7 540 | | | 987 890 | |
| | 5 693 | 12,90 | 155,10 | 809 545 | 07/03/2011 |
| | 12 657 | 12,90 | 155,60 | 1 806 154 | 07/03/2011 |
| | 1 091 | 12,90 | 156,00 | 156 122 | 07/03/2011 |
| | 179 | 12,90 | 156,01 | 25 617 | 07/03/2011 |
| 958 535 | | | | | |
| 958 535 | 19 620 | | | 2 797 438 | |
| | 1 393 | 12,90 | 149,88 | 190 813 | 28/02/2011 |
| | 318 | 12,90 | 149,89 | 43 563 | 28/02/2011 |
| | 4 129 | 12,90 | 149,95 | 565 879 | 28/02/2011 |
| | 400 | 12,90 | 149,95 | 54 820 | 28/02/2011 |
| | 1 722 | 19,62 | 169,25 | 257 663 | 05/04/2011 |
| | 2 000 | 19,62 | 169,31 | 299 380 | 05/04/2011 |
| | 1 207 | 19,62 | 170,00 | 181 509 | 05/04/2011 |
| | 341 | 19,62 | 170,01 | 51 283 | 05/04/2011 |
| | 1 866 | 19,62 | 169,50 | 279 676 | 05/04/2011 |
| | 101 | 19,62 | 169,99 | 15 187 | 05/04/2011 |
| | 493 | 19,62 | 170,08 | 74 177 | 05/04/2011 |
| | 866 | 19,62 | 170,50 | 130 662 | 05/04/2011 |
| | 674 | 19,62 | 170,51 | 101 700 | 05/04/2011 |
| | 15 510 | | | 2 246 312 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

### Directors' and prescribed officers' share options and restricted share awards (continued)

#### Management share option scheme (continued)

| Year ended 31 December 2010 | Options held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| WA de Klerk | 3 230 | 13,62 | 16/03/2011 | 440 055 |
| | 29 130 | 12,90 | 16/03/2011 | 3 968 671 |
| | 8 750 | 19,62 | 22/04/2012 | 1 192 100 |
| | 41 110 | | | 5 600 826 |
| **PRESCRIBED OFFICER** | | | | |
| M Piater | 7 540 | 12,90 | 16/03/2011 | 1 027 250 |
| | 4 510 | 19,62 | 22/04/2012 | 614 442 |
| | 12 050 | | | 1 641 692 |
| WH van Niekerk | 19 620 | 12,90 | 16/03/2011 | 2 673 029 |
| | 6 460 | 19,62 | 22/04/2012 | 880 110 |
| | 26 080 | | | 3 553 139 |
| PE Venter | 6 240 | 12,90 | 16/03/2011 | 850 138 |
| | 9 270 | 19,62 | 22/04/2012 | 1 262 945 |
| | 15 510 | | | 2 113 083 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | | | | | |
| 396 063 | | | | | |
| 3 592 894 | | | | | |
| 1 020 425 | | | | | |
| 5 009 382 | | | | | |
| | | | | | |
| 929 984 | | | | | |
| 525 956 | | | | | |
| 1 455 940 | | | | | |
| 2 419 931 | | | | | |
| 753 365 | | | | | |
| 3 173 296 | | | | | |
| 769 642 | | | | | |
| 1 081 067 | | | | | |
| 1 850 709 | | | | | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share appreciation right scheme

| Year ended 31 December 2011 | Rights held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | 38 680 | 60,60 | 01/03/2014 | 6 498 240 |
| | 41 780 | 112,35 | 01/04/2015 | 7 019 040 |
| | 67 430 | 67,07 | 01/04/2016 | 11 328 240 |
| | 45 474 | 126,77 | 01/04/2017 | 7 639 632 |
| | 36 538 | 163,95 | 01/04/2018 | 6 138 384 |
| | 229 902 | | | 38 623 536 |
| WA de Klerk | 19 330 | 60,60 | 01/03/2014 | 3 247 440 |
| | 16 410 | 112,35 | 01/04/2015 | 2 756 880 |
| | 37 760 | 67,07 | 01/04/2016 | 6 343 680 |
| | 21 478 | 126,77 | 01/04/2017 | 3 608 304 |
| | 18 268 | 163,95 | 01/04/2018 | 3 069 024 |
| | 113 246 | | | 19 025 328 |
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | 10 190 | 60,60 | 01/03/2014 | 1 711 920 |
| | 9 470 | 112,35 | 01/04/2015 | 1 590 960 |
| | 15 200 | 67,07 | 01/04/2016 | 2 553 600 |
| | 16 358 | 126,77 | 01/04/2017 | 2 748 144 |
| | 14 084 | 163,95 | 01/04/2018 | 2 366 112 |
| | 65 302 | | | 10 970 736 |
| MDM Mgojo | 18 340 | 60,60 | 01/03/2014 | 3 081 120 |
| | 15 720 | 112,35 | 01/04/2015 | 2 640 960 |
| | 27 530 | 67,07 | 01/04/2016 | 4 625 040 |
| | 16 358 | 126,77 | 01/04/2017 | 2 748 144 |
| | 14 084 | 163,95 | 01/04/2018 | 2 366 112 |
| | 92 032 | | | 15 461 376 |
| M Piater | 9 840 | 60,60 | 01/03/2014 | 1 653 120 |
| | 9 420 | 112,35 | 01/04/2015 | 1 582 560 |
| | 16 330 | 67,07 | 01/04/2016 | 2 743 440 |
| | 9 380 | 126,77 | 01/04/2017 | 1 575 840 |
| | 8 542 | 163,95 | 01/04/2018 | 1 435 056 |
| | 53 512 | | | 8 990 016 |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | | | | | |
| 4 154 232 | | | | | |
| 2 325 057 | | | | | |
| 6 805 710 | | | | | |
| 1 874 893 | | | | | |
| 147 979 | | | | | |
| 15 307 871 | | | | | |
| 2 076 042 | | | | | |
| 913 217 | | | | | |
| 3 811 117 | | | | | |
| 885 538 | | | | | |
| 73 985 | | | | | |
| 7 759 899 | | | | | |
| | | | | | |
| 1 094 406 | | | | | |
| 527 006 | | | | | |
| 1 534 136 | | | | | |
| 674 440 | | | | | |
| 57 040 | | | | | |
| 3 887 028 | | | | | |
| 1 969 716 | | | | | |
| 874 818 | | | | | |
| 2 778 603 | | | | | |
| 674 440 | | | | | |
| 57 040 | | | | | |
| 6 354 617 | | | | | |
| 1 056 816 | | | | | |
| 524 223 | | | | | |
| 1 648 187 | | | | | |
| 386 737 | | | | | |
| 34 595 | | | | | |
| 3 650 558 | | | | | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share appreciation right scheme (continued)

| Year ended 31 December 2011 | Rights held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| WH van Niekerk | 7 980 | 60,60 | 01/03/2014 | 1 340 640 |
| | 8 990 | 112,35 | 01/04/2015 | 1 510 320 |
| | 14 080 | 67,07 | 01/04/2016 | 2 365 440 |
| | 12 190 | 63,45 | 04/05/2016 | 2 047 920 |
| | 16 358 | 126,77 | 01/04/2017 | 2 748 144 |
| | 14 084 | 163,95 | 01/04/2018 | 2 366 112 |
| | 73 682 | | | 12 378 576 |
| PE Venter | | | | |
| | 30 540 | 67,07 | 01/04/2016 | 5 130 720 |
| | 17 376 | 126,77 | 01/04/2017 | 2 919 168 |
| | 14 104 | 163,95 | 01/04/2018 | 2 369 472 |
| | 62 020 | | | 10 419 360 |
| M Veti | 7 100 | 60,60 | 01/03/2014 | 1 192 800 |
| | 7 020 | 112,35 | 01/04/2015 | 1 179 360 |
| | 11 590 | 67,07 | 01/04/2016 | 1 947 120 |
| | 7 624 | 126,77 | 01/04/2017 | 1 280 832 |
| | 6 168 | 163,95 | 01/04/2018 | 1 036 224 |
| | 39 502 | | | 6 636 336 |
| CH Wessels[2] | 2 936 | 163,95 | 01/04/2018 | 493 248 |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*
*2 Appointed effective 1 June 2011.*

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | 38 680 | 60,60 | 01/03/2014 | 5 269 763 |
| | 41 780 | 112,35 | 01/04/2015 | 5 692 107 |
| | 67 430 | 67,07 | 01/04/2016 | 9 186 663 |
| | 45 474 | 126,77 | 01/04/2017 | 6 195 378 |
| | 193 364 | | | 26 343 911 |
| WA de Klerk | 19 330 | 60,60 | 01/03/2014 | 2 633 519 |
| | 16 410 | 112,35 | 01/04/2015 | 2 235 698 |
| | 37 760 | 67,07 | 01/04/2016 | 5 144 422 |
| | 21 478 | 126,77 | 01/04/2017 | 2 926 163 |
| | 94 978 | | | 12 939 802 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2011[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| 857 052 | | | | | |
| 500 294 | | | | | |
| 1 421 094 | | | | | |
| 1 274 465 | | | | | |
| 674 440 | | | | | |
| 57 040 | | | | | |
| 4 784 385 | | | | | |
| | 19 330 | 60,60 | 172,27 | 2 158 581 | 06/04/2011 |
| | 18 110 | 112,35 | 172.27 | 1 085 151 | 06/04/2011 |
| 3 082 402 | | | | | |
| 716 412 | | | | | |
| 57 121 | | | | | |
| 3 855 935 | 37 440 | | | 3 243 732 | |
| 762 540 | | | | | |
| 390 663 | | | | | |
| 1 169 779 | | | | | |
| 314 338 | | | | | |
| 24 980 | | | | | |
| 2 662 300 | | | | | |
| 11 891 | | | | | |

| Pre-tax gain if exercisable at 31 December 2010[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| 2 925 755 | | | | | |
| 998 124 | | | | | |
| 4 664 133 | | | | | |
| 430 639 | | | | | |
| 9 018 651 | | | | | |
| 1 462 121 | | | | | |
| 392 035 | | | | | |
| 2 611 859 | | | | | |
| 203 397 | | | | | |
| 4 669 412 | | | | | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share appreciation right scheme (continued)

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | 10 190 | 60,60 | 01/03/2014 | 1 388 286 |
| | 9 470 | 112,35 | 01/04/2015 | 1 290 193 |
| | 15 200 | 67,07 | 01/04/2016 | 2 070 848 |
| | 16 358 | 126,77 | 01/04/2017 | 2 228 614 |
| | 51 218 | | | 6 977 941 |
| MDM Mgojo | 18 340 | 60,60 | 01/03/2014 | 2 498 642 |
| | 15 720 | 112,35 | 01/04/2015 | 2 141 693 |
| | 27 530 | 67,07 | 01/04/2016 | 3 750 687 |
| | 16 358 | 126,77 | 01/04/2017 | 2 228 614 |
| | 77 948 | | | 10 619 636 |
| M Piater | 9 840 | 60,60 | 01/03/2014 | 1 340 602 |
| | 9 420 | 112,35 | 01/04/2015 | 1 283 381 |
| | 16 330 | 67,07 | 01/04/2016 | 2 224 799 |
| | 9 380 | 126,77 | 01/04/2017 | 1 277 931 |
| | 44 970 | | | 6 126 713 |
| WH van Niekerk | 7 980 | 60,60 | 01/03/2014 | 1 087 195 |
| | 8 990 | 112,35 | 01/04/2015 | 1 224 798 |
| | 14 080 | 67,07 | 01/04/2016 | 1 918 259 |
| | 12 190 | 63,45 | 04/05/2016 | 1 660 766 |
| | 16 358 | 126,77 | 01/04/2017 | 2 228 614 |
| | 59 598 | | | 8 119 632 |
| PE Venter | 19 330 | 60,60 | 01/03/2014 | 2 633 519 |
| | 18 110 | 112,35 | 01/04/2015 | 2 467 306 |
| | 30 540 | 67,07 | 01/04/2016 | 4 160 770 |
| | 17 376 | 126,77 | 01/04/2017 | 2 367 306 |
| | 85 356 | | | 11 628 901 |
| MS Viljoen | | | | |
| | 4 210 | 112,35 | 01/04/2015 | 573 570 |
| | 7 110 | 67,07 | 01/04/2016 | 968 666 |
| | 3 898 | 126,77 | 01/04/2017 | 531 064 |
| | 15 218 | | | 2 073 300 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] R | Options exercised during the year | Exercise price R | Sale price/ market price R | Pre-tax gain R | Date exercised |
|---|---|---|---|---|---|
| 770 772 | | | | | |
| 226 238 | | | | | |
| 1 051 384 | | | | | |
| 154 910 | | | | | |
| 2 203 304 | | | | | |
| 1 387 238 | | | | | |
| 375 551 | | | | | |
| 1 904 250 | | | | | |
| 154 910 | | | | | |
| 3 821 949 | | | | | |
| 744 298 | | | | | |
| 225 044 | | | | | |
| 1 129 546 | | | | | |
| 88 829 | | | | | |
| 2 187 717 | | | | | |
| 603 607 | | | | | |
| 214 771 | | | | | |
| 973 914 | | | | | |
| 887 310 | | | | | |
| 154 910 | | | | | |
| 2 834 512 | | | | | |
| 1 462 121 | | | | | |
| 432 648 | | | | | |
| 2 112 452 | | | | | |
| 164 551 | | | | | |
| 4 171 772 | | | | | |
| | 5 330 | 60,60 | 132,81 | 384 879 | 22/10/2010 |
| 100 577 | | | | | |
| 491 799 | | | | | |
| 36 914 | | | | | |
| 629 290 | 5 330 | | | 384 879 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share scheme – long term incentive plan

| Year ended 31 December 2011 | Rights held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | | | | |
| | 67 438 | | 01/04/2012 | 11 329 584 |
| | 47 412 | | 01/04/2013 | 7 965 216 |
| | 36 538 | | 01/04/2014 | 6 138 384 |
| | 151 388 | | | 25 433 184 |
| WA de Klerk | | | | |
| | 37 764 | | 01/04/2012 | 6 344 352 |
| | 21 478 | | 01/04/2013 | 3 608 304 |
| | 18 268 | | 01/04/2014 | 3 069 024 |
| | 77 510 | | | 13 021 680 |
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | | | | |
| | 15 202 | | 01/04/2012 | 2 553 936 |
| | 16 358 | | 01/04/2013 | 2 748 144 |
| | 14 084 | | 01/04/2014 | 2 366 112 |
| | 45 644 | | | 7 668 192 |
| MDM Mgojo | | | | |
| | 27 536 | | 01/04/2012 | 4 626 048 |
| | 16 358 | | 01/04/2013 | 2 748 144 |
| | 14 084 | | 01/04/2014 | 2 366 112 |
| | 57 978 | | | 9 740 304 |
| M Piater | | | | |
| | 16 340 | | 01/04/2012 | 2 745 120 |
| | 9 380 | | 01/04/2013 | 1 575 840 |
| | 8 542 | | 01/04/2014 | 1 435 056 |
| | 34 262 | | | 5 756 016 |
| WH van Niekerk | | | | |
| | 14 090 | | 01/04/2012 | 2 367 120 |
| | 12 112 | | 04/05/2012 | 2 034 816 |
| | 16 358 | | 01/04/2013 | 2 748 144 |
| | 14 084 | | 01/04/2014 | 2 366 112 |
| | 56 644 | | | 9 516 192 |
| PE Venter | | | | |
| | 30 550 | | 01/04/2012 | 5 132 400 |
| | 17 376 | | 01/04/2013 | 2 919 168 |
| | 14 104 | | 01/04/2014 | 2 369 472 |
| | 62 030 | | | 10 421 040 |
| M Veti | | | | |
| | 11 596 | | 01/04/2012 | 1 948 128 |
| | 7 624 | | 01/04/2013 | 1 280 832 |
| | 6 168 | | 01/04/2014 | 1 036 224 |
| | 25 388 | | | 4 265 184 |
| MS Viljoen[2] | | | | |
| CH Wessels[3] | 2 936 | | 01/04/2014 | 493 248 |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*
*2 Retired effective 31 August 2011.*
*3 Appointed effective 1 June 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | 41 782 | | 163,95 | 6 850 159 | 07/04/2011 |
| 11 329 584 | | | | | |
| 7 965 216 | | | | | |
| 6 138 384 | | | | | |
| 25 433 184 | 41 782 | | | 6 850 159 | |
| | 16 418 | | 163,95 | 2 691 731 | 01/04/2011 |
| 6 344 352 | | | | | |
| 3 608 304 | | | | | |
| 3 069 024 | | | | | |
| 13 021 680 | 16 418 | | | 2 691 731 | |
| | 9 472 | | 163,95 | 1 552 934 | 08/04/2011 |
| 2 553 936 | | | | | |
| 2 748 144 | | | | | |
| 2 366 112 | | | | | |
| 7 668 192 | 9 472 | | | 1 552 934 | |
| | 15 724 | | 163,95 | 2 577 950 | 06/04/2011 |
| 4 626 048 | | | | | |
| 2 748 144 | | | | | |
| 2 366 112 | | | | | |
| 9 740 304 | 15 724 | | | 2 577 950 | |
| | 9 422 | | 163,95 | 1 544 737 | 08/04/2011 |
| 2 745 120 | | | | | |
| 1 575 840 | | | | | |
| 1 435 056 | | | | | |
| 5 756 016 | 9 422 | | | 1 544 737 | |
| | 8 994 | | 163,95 | 1 474 566 | 08/04/2011 |
| 2 367 120 | | | | | |
| 2 034 816 | | | | | |
| 2 748 144 | | | | | |
| 2 366 112 | | | | | |
| 9 516 192 | 8 994 | | | 1 474 566 | |
| | 18 114 | | 163,95 | 2 969 790 | 06/04/2011 |
| 5 132 400 | | | | | |
| 2 919 168 | | | | | |
| 2 369 472 | | | | | |
| 10 421 040 | 18 114 | | | 2 969 790 | |
| | 7 022 | | 163,95 | 1 151 257 | 08/04/2011 |
| 1 948 128 | | | | | |
| 1 280 832 | | | | | |
| 1 036 224 | | | | | |
| 4 265 184 | 7 022 | | | 1 151 257 | |
| | 4 216 | | 163,95 | 691 213 | 05/04/2011 |
| 493 248 | | | | | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share scheme – long term incentive plan (continued)

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | | | | |
| | 41 782 | | 01/04/2011 | 5 692 380 |
| | 67 438 | | 01/04/2012 | 9 187 753 |
| | 47 412 | | 01/04/2013 | 6 459 411 |
| | 156 632 | | | 21 339 544 |
| WA de Klerk | | | | |
| | 16 418 | | 01/04/2011 | 2 236 788 |
| | 37 764 | | 01/04/2012 | 5 144 967 |
| | 21 478 | | 01/04/2013 | 2 926 163 |
| | 75 660 | | | 10 307 918 |
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | | | | |
| | 9 472 | | 01/04/2011 | 1 290 465 |
| | 15 202 | | 01/04/2012 | 2 071 120 |
| | 16 358 | | 01/04/2013 | 2 228 614 |
| | 41 032 | | | 5 590 199 |
| MDM Mgojo | | | | |
| | 15 724 | | 01/04/2011 | 2 142 238 |
| | 27 536 | | 01/04/2012 | 3 751 505 |
| | 16 358 | | 01/04/2013 | 2 228 614 |
| | 59 618 | | | 8 122 357 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | 15 434 | | 116,00 | 1 790 344 | 05/03/2010 |
| | 1 821 | | 116,01 | 211 254 | 05/03/2010 |
| | 649 | | 116,05 | 75 316 | 05/03/2010 |
| | 20 778 | | 116,25 | 2 415 443 | 05/03/2010 |
| 5 692 380 | | | | | |
| 9 187 753 | | | | | |
| 6 459 411 | | | | | |
| 21 339 544 | 38 682 | | | 4 492 357 | |
| | 13 452 | | 116,25 | 1 563 795 | 05/03/2010 |
| | 3 421 | | 116,26 | 397 725 | 05/03/2010 |
| | 1 900 | | 116,28 | 220 932 | 05/03/2010 |
| | 561 | | 116,31 | 65 250 | 05/03/2010 |
| 2 236 788 | | | | | |
| 5 144 967 | | | | | |
| 2 926 163 | | | | | |
| 10 307 918 | 19 334 | | | 2 247 702 | |
| | 10 192 | | 114,17 | 1 163 621 | 08/03/2010 |
| 1 290 465 | | | | | |
| 2 071 120 | | | | | |
| 2 228 614 | | | | | |
| 5 590 199 | 10 192 | | | 1 163 621 | |
| | 18 346 | | 114,17 | 2 094 563 | 08/03/2010 |
| 2 142 238 | | | | | |
| 3 751 505 | | | | | |
| 2 228 614 | | | | | |
| 8 122 357 | 18 346 | | | 2 094 563 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share scheme – long term incentive plan (continued)

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| M Piater | | | | |
| | 9 422 | | 01/04/2011 | 1 283 653 |
| | 16 340 | | 01/04/2012 | 2 226 162 |
| | 9 380 | | 01/04/2013 | 1 277 931 |
| | 35 142 | | | 4 787 746 |
| WH van Niekerk | | | | |
| | 8 994 | | 01/04/2011 | 1 225 343 |
| | 14 090 | | 01/04/2012 | 1 919 622 |
| | 12 112 | | 04/05/2012 | 1 650 139 |
| | 16 358 | | 01/04/2013 | 2 228 614 |
| | 51 554 | | | 7 023 718 |
| PE Venter | | | | |
| | 18 114 | | 01/04/2011 | 2 467 851 |
| | 30 550 | | 01/04/2012 | 4 162 132 |
| | 17 376 | | 01/04/2013 | 2 367 306 |
| | 66 040 | | | 8 997 289 |
| MS Viljoen | | | | |
| | 4 216 | | 01/04/2011 | 574 388 |
| | 7 116 | | 01/04/2012 | 969 484 |
| | 3 898 | | 01/04/2013 | 531 064 |
| | 15 230 | | | 2 074 936 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] R | Options exercised during the year | Exercise price R | Sale price/ market price R | Pre-tax gain R | Date exercised |
|---|---|---|---|---|---|
| | 9 844 | | 114,17 | 1 123 889 | 05/03/2010 |
| 1 283 653 | | | | | |
| 2 226 162 | | | | | |
| 1 277 931 | | | | | |
| 4 787 746 | 9 844 | | | 1 123 889 | |
| | 7 982 | | 114,17 | 911 305 | 02/03/2010 |
| 1 225 343 | | | | | |
| 1 919 622 | | | | | |
| 1 650 139 | | | | | |
| 2 228 614 | | | | | |
| 7 023 718 | 7 982 | | | 911 305 | |
| | 19 334 | | 114,17 | 2 207 363 | 02/03/2010 |
| 2 467 851 | | | | | |
| 4 162 132 | | | | | |
| 2 367 306 | | | | | |
| 8 997 289 | 19 334 | | | 2 207 363 | |
| | 5 334 | | 114,17 | 608 983 | 03/03/2010 |
| 574 388 | | | | | |
| 969 484 | | | | | |
| 531 064 | | | | | |
| 2 074 936 | 5 334 | | | 608 983 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

### Directors' and prescribed officers' share options and restricted share awards (continued)

#### Management share scheme – deferred bonus plan

| Year ended 31 December 2011 | Rights held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | | | | |
| | 2 315 | | 02/03/2012 | 388 920 |
| | 6 620 | | 31/03/2012 | 1 112 160 |
| | 466 | | 31/08/2012 | 78 288 |
| | 1 433 | | 01/03/2013 | 240 744 |
| | 3 527 | | 31/03/2013 | 592 536 |
| | 420 | | 31/08/2013 | 70 560 |
| | 1 492 | | 28/02/2014 | 250 656 |
| | 2 934 | | 31/03/2014 | 492 912 |
| | 569 | | 11/11/2014 | 95 592 |
| | 19 776 | | | 3 322 368 |
| WA de Klerk | | | | |
| | 1 644 | | 02/03/2012 | 276 192 |
| | 3 000 | | 31/03/2012 | 504 000 |
| | 326 | | 31/08/2012 | 54 768 |
| | 1 003 | | 01/03/2013 | 168 504 |
| | 2 083 | | 31/03/2013 | 349 944 |
| | 262 | | 31/08/2013 | 44 016 |
| | 932 | | 28/02/2014 | 156 576 |
| | 1 542 | | 31/03/2014 | 259 056 |
| | 355 | | 11/11/2014 | 59 640 |
| | 11 147 | | | 1 872 696 |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] R | Options exercised during the year | Exercise price R | Sale price/ market price R | Pre-tax gain R | Date exercised |
|---|---|---|---|---|---|
| | 718 | | 147 | 105 553 | 04/03/2011 |
| | 2 573 | | 147 | 378 257 | 04/03/2011 |
| | 213 | | 179 | 38 172 | 16/11/2011 |
| 388 920 | | | | | |
| 1 112 160 | | | | | |
| 78 288 | | | | | |
| 240 744 | | | | | |
| 592 536 | | | | | |
| 70 560 | | | | | |
| 250 656 | | | | | |
| 492 912 | | | | | |
| 95 592 | | | | | |
| 3 322 368 | 3 504 | | | 521 982 | |
| | 542 | | 147,01 | 79 679 | 08/03/2011 |
| | 1 398 | | 147,01 | 205 520 | 08/03/2011 |
| | 182 | | 179,21 | 32 616 | 16/11/2011 |
| 276 192 | | | | | |
| 504 000 | | | | | |
| 54 768 | | | | | |
| 168 504 | | | | | |
| 349 944 | | | | | |
| 44 016 | | | | | |
| 156 576 | | | | | |
| 259 056 | | | | | |
| 59 640 | | | | | |
| 1 872 696 | 2 122 | | | 317 815 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

## Directors' and prescribed officers' share options and restricted share awards (continued)

### Management share scheme – deferred bonus plan (continued)

| Year ended 31 December 2011 | Rights held at 31 December 2011 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2011 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | 247 | | 31/08/2012 | 41 496 |
| MDM Mgojo | | | | |
| | 645 | | 02/03/2012 | 108 360 |
| | 2 586 | | 31/03/2012 | 434 448 |
| | 247 | | 31/08/2012 | 41 496 |
| | 832 | | 01/03/2013 | 139 776 |
| | 1 530 | | 31/03/2013 | 257 040 |
| | 223 | | 31/08/2013 | 37 464 |
| | 600 | | 28/02/2014 | 100 800 |
| | 1 186 | | 31/03/2014 | 199 248 |
| | 252 | | 11/11/2014 | 42 336 |
| | 8 101 | | | 1 360 968 |
| M Piater | | | | |
| | 947 | | 02/03/2012 | 159 096 |
| | 1 690 | | 31/03/2012 | 283 920 |
| | 223 | | 31/08/2012 | 37 464 |
| | 688 | | 01/03/2013 | 115 584 |
| | 1 058 | | 31/03/2013 | 177 744 |
| | 181 | | 31/08/2013 | 30 408 |
| | 644 | | 28/02/2014 | 108 192 |
| | 794 | | 31/03/2014 | 133 392 |
| | 250 | | 11/11/2014 | 42 000 |
| | 6 475 | | | 1 087 800 |
| WH van Niekerk | | | | |
| | 1 301 | | 02/03/2012 | 218 568 |
| | 1 615 | | 31/03/2012 | 271 320 |
| | 247 | | 31/08/2012 | 41 496 |
| | 761 | | 01/03/2013 | 127 848 |
| | 1 357 | | 31/03/2013 | 227 976 |
| | 223 | | 31/08/2013 | 37 464 |
| | 794 | | 28/02/2014 | 133 392 |
| | 1 319 | | 31/03/2014 | 221 592 |
| | 304 | | 11/11/2014 | 51 072 |
| | 7 921 | | | 1 330 728 |
| PE Venter | 908 | | 01/03/2013 | 152 544 |
| M Veti | | | | |
| | 766 | | 02/03/2012 | 128 688 |
| | 1 262 | | 31/03/2012 | 212 016 |
| | 144 | | 31/03/2012 | 24 192 |
| | 498 | | 01/03/2013 | 83 664 |
| | 675 | | 31/03/2013 | 113 400 |
| | 147 | | 31/08/2013 | 24 696 |
| | 510 | | 28/02/2014 | 85 680 |
| | 637 | | 31/03/2014 | 107 016 |
| | 197 | | 11/11/2014 | 33 096 |
| | 4 836 | | | 812 448 |

*1 Based on a share price of R168,00 which prevailed on 31 December 2011.*

| Pre-tax gain if exercisable at 31 December 2011[1] R | Options exercised during the year | Exercise price R | Sale price/ market price R | Pre-tax gain R | Date exercised |
|---|---|---|---|---|---|
| | | | | | |
| 41 496 | | | | | |
| | 1 194 | | 147,01 | 175 530 | 02/03/2011 |
| | 21 | | 179,21 | 3 763 | 21/11/2011 |
| 108 360 | | | | | |
| 434 448 | | | | | |
| 41 496 | | | | | |
| 139 776 | | | | | |
| 257 040 | | | | | |
| 37 464 | | | | | |
| 100 800 | | | | | |
| 199 248 | | | | | |
| 42 336 | | | | | |
| 1 360 968 | 1 215 | | | 179 293 | |
| | 1 031 | | 147,01 | 151 567 | 08/03/2011 |
| | 87 | | 179,21 | 15 591 | 21/11/2011 |
| 159 096 | | | | | |
| 283 920 | | | | | |
| 37 464 | | | | | |
| 115 584 | | | | | |
| 177 744 | | | | | |
| 30 408 | | | | | |
| 108 192 | | | | | |
| 133 392 | | | | | |
| 42 000 | | | | | |
| 1 087 800 | 1 118 | | | 167 158 | |
| | 120 | | 179,21 | 21 505 | 21/11/2011 |
| 218 568 | | | | | |
| 271 320 | | | | | |
| 41 496 | | | | | |
| 127 848 | | | | | |
| 227 976 | | | | | |
| 37 464 | | | | | |
| 133 392 | | | | | |
| 221 592 | | | | | |
| 51 072 | | | | | |
| 1 330 728 | 120 | | | 21 505 | |
| 152 544 | | | | | |
| | 287 | | 147,01 | 42 192 | 08/03/2012 |
| | 113 | | 179,21 | 20 251 | 21/11/2011 |
| 128 688 | | | | | |
| 212 016 | | | | | |
| 24 192 | | | | | |
| 83 664 | | | | | |
| 113 400 | | | | | |
| 24 696 | | | | | |
| 85 680 | | | | | |
| 107 016 | | | | | |
| 33 096 | | | | | |
| 812 448 | 400 | | | 62 443 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

### Directors' and prescribed officers' share options and restricted share awards (continued)

#### Management share scheme – deferred bonus plan (continued)

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **EXECUTIVE DIRECTOR** | | | | |
| SA Nkosi | | | | |
| | 718 | | 28/02/2011 | 97 820 |
| | 2 573 | | 28/02/2011 | 350 546 |
| | 213 | | 01/09/2011 | 29 019 |
| | 2 315 | | 02/03/2012 | 315 396 |
| | 6 620 | | 31/03/2012 | 901 909 |
| | 466 | | 31/08/2012 | 63 488 |
| | 1 433 | | 01/03/2013 | 195 232 |
| | 3 527 | | 31/03/2013 | 480 518 |
| | 420 | | 31/08/2013 | 57 221 |
| | 18 285 | | | 2 491 149 |
| WA de Klerk | | | | |
| | 542 | | 28/02/2011 | 73 842 |
| | 1 398 | | 28/02/2011 | 190 464 |
| | 182 | | 01/09/2011 | 24 796 |
| | 1 644 | | 02/03/2012 | 223 979 |
| | 3 000 | | 31/03/2012 | 408 720 |
| | 326 | | 31/08/2012 | 44 414 |
| | 1 003 | | 01/03/2013 | 136 649 |
| | 2 083 | | 31/03/2013 | 283 788 |
| | 262 | | 31/08/2013 | 35 695 |
| | 10 440 | | | 1 422 347 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| | 361 | | 112,68 | 40 677 | 08/09/2010 |
| 97 820 | | | | | |
| 350 546 | | | | | |
| 29 019 | | | | | |
| 315 396 | | | | | |
| 901 909 | | | | | |
| 63 488 | | | | | |
| 195 232 | | | | | |
| 480 518 | | | | | |
| 57 221 | | | | | |
| 2 491 149 | 361 | | | 40 677 | |
| | 212 | | 112,68 | 23 888 | 08/09/2010 |
| 73 842 | | | | | |
| 190 464 | | | | | |
| 24 796 | | | | | |
| 223 979 | | | | | |
| 408 720 | | | | | |
| 44 414 | | | | | |
| 136 649 | | | | | |
| 283 788 | | | | | |
| 35 695 | | | | | |
| 1 422 347 | 212 | | | 23 888 | |

# DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

### Directors' and prescribed officers' share options and restricted share awards (continued)

#### Management share scheme – deferred bonus plan (continued)

| Year ended 31 December 2010 | Rights held at 31 December 2010 | Exercise price R | Exercisable period | Proceeds if exercisable at 31 December 2010 R |
|---|---|---|---|---|
| **PRESCRIBED OFFICER** | | | | |
| PT Arran | 247 | | 31/08/2012 | 33 651 |
| MDM Mgojo | | | | |
| | 1 194 | | 28/02/2011 | 162 671 |
| | 21 | | 01/09/2011 | 2 861 |
| | 645 | | 02/03/2012 | 87 875 |
| | 2 586 | | 31/03/2012 | 352 317 |
| | 247 | | 31/08/2012 | 33 651 |
| | 832 | | 01/03/2013 | 113 352 |
| | 1 530 | | 31/03/2013 | 208 447 |
| | 223 | | 31/08/2013 | 30 382 |
| | 7 278 | | | 991 556 |
| M Piater | | | | |
| | 1 031 | | 28/02/2011 | 140 463 |
| | 87 | | 01/09/2011 | 11 853 |
| | 947 | | 02/03/2012 | 129 019 |
| | 1 690 | | 31/03/2012 | 230 246 |
| | 223 | | 31/08/2012 | 30 382 |
| | 688 | | 01/03/2013 | 93 733 |
| | 1 058 | | 31/03/2013 | 144 142 |
| | 181 | | 31/08/2013 | 24 659 |
| | 5 905 | | | 804 497 |
| WH van Niekerk | | | | |
| | 120 | | 01/09/2011 | 16 349 |
| | 1 301 | | 02/03/2012 | 177 248 |
| | 1 615 | | 31/03/2012 | 220 028 |
| | 247 | | 31/08/2012 | 33 651 |
| | 761 | | 01/03/2013 | 103 679 |
| | 1 357 | | 31/03/2013 | 184 878 |
| | 223 | | 31/03/2013 | 30 382 |
| | 5 624 | | | 766 215 |
| PE Venter | 908 | | 31/03/2013 | 123 706 |

*1 Based on a share price of R136,24 which prevailed on 31 December 2010.*

| Pre-tax gain if exercisable at 31 December 2010[1] | Options exercised during the year | Exercise price | Sale price/ market price | Pre-tax gain | Date exercised |
|---|---|---|---|---|---|
| R | | R | R | R | |
| 33 651 | | | | | |
| | 183 | | 112,68 | 20 620 | 08/09/2010 |
| 162 671 | | | | | |
| 2 861 | | | | | |
| 87 875 | | | | | |
| 352 317 | | | | | |
| 33 651 | | | | | |
| 113 352 | | | | | |
| 208 447 | | | | | |
| 30 382 | | | | | |
| 991 556 | 183 | | | 20 620 | |
| | 157 | | 112,68 | 17 691 | 08/09/2010 |
| 140 463 | | | | | |
| 11 853 | | | | | |
| 129 019 | | | | | |
| 230 246 | | | | | |
| 30 382 | | | | | |
| 93 733 | | | | | |
| 144 142 | | | | | |
| 24 659 | | | | | |
| 804 497 | 157 | | | 17 691 | |
| | 158 | | 112,68 | 17 803 | 08/09/2010 |
| 16 349 | | | | | |
| 177 248 | | | | | |
| 220 028 | | | | | |
| 33 651 | | | | | |
| 103 679 | | | | | |
| 184 878 | | | | | |
| 30 382 | | | | | |
| 766 215 | 158 | | | 17 803 | |
| 123 706 | | | | | |

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | Rm | Rm | Rm | Rm |
| Revenue | 2 | 12 471 | 10 116 | 1 141 | 1 048 |
| Operating expenses | 3 | (9 663) | (7 628) | (1 524) | (1 295) |
| **NET OPERATING PROFIT/(LOSS)** | | 2 808 | 2 488 | (383) | (247) |
| Interest income | 5 | 159 | 116 | 101 | 64 |
| Interest expense | 5 | (590) | (432) | (223) | (295) |
| Income from investments | 6 | 4 | 2 | 3 829 | 3 205 |
| Income from equity-accounted investments | | 4 668 | 3 717 | | |
| **PROFIT BEFORE TAX** | | 7 049 | 5 891 | 3 324 | 2 727 |
| Income tax expense | 7 | (986) | (732) | (5) | (36) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | 6 063 | 5 159 | 3 319 | 2 691 |
| **PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS** | 8 | 1 594 | 76 | | |
| **PROFIT FOR THE YEAR** | | 7 657 | 5 235 | 3 319 | 2 691 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 7 653 | 5 208 | 3 319 | 2 691 |
| - continuing operations | | 6 073 | 5 167 | 3 319 | 2 691 |
| - discontinued operations | | 1 580 | 41 | | |
| Non-controlling interests | | 4 | 27 | | |
| - continuing operations | | (10) | (8) | | |
| - discontinued operations | | 14 | 35 | | |
| **Profit for the year** | | 7 657 | 5 235 | 3 319 | 2 691 |
| **Other comprehensive income net of tax:** | | | | | |
| Exchange differences on translating foreign operations | | 800 | (44) | (4) | 2 |
| Cash flow hedges | | (40) | 204 | | |
| Share of comprehensive income of associates | | (254) | 40 | | |
| Share of comprehensive income of non-controlling interests | | 35 | (57) | | |
| **Gain/(loss) recognised in other comprehensive income for the year, net of tax** | 28 | 541 | 143 | (4) | 2 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 8 198 | 5 378 | 3 315 | 2 693 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 8 159 | 5 408 | 3 315 | 2 693 |
| - continuing operations | | 6 641 | 5 167 | 3 315 | 2 693 |
| - discontinued operations | | 1 518 | 241 | | |
| Non-controlling interests | | 39 | (30) | | |
| - continuing operations | | (6) | (12) | | |
| - discontinued operations | | 45 | (18) | | |
| | | 8 198 | 5 378 | 3 315 | 2 693 |
| **ATTRIBUTABLE EARNINGS PER SHARE (CENTS)** | | | | | |
| Attributable earnings per share continuing operations (cents) | | | | | |
| - basic | 9 | 1 745 | 1 489 | | |
| - diluted | 9 | 1 720 | 1 432 | | |
| Attributable earnings per share discontinued operations (cents) | | | | | |
| - basic | 9 | 454 | 12 | | |
| - diluted | 9 | 448 | 11 | | |
| Aggregate attributable earnings per shares (cents) | | | | | |
| - basic | 9 | 2 199 | 1 501 | | |
| - diluted | 9 | 2 168 | 1 443 | | |

# STATEMENTS OF FINANCIAL POSITION

at 31 December

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | Rm | Rm | Rm | Rm |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 10 695 | 13 305 | 508 | 266 |
| Biological assets | 13 | 66 | 46 | | |
| Intangible assets | 14 | 128 | 75 | 43 | 1 |
| Investments in associates | 15 | 4 764 | 3 880 | | |
| Investments in subsidiaries | 16 | | | 3 272 | 6 017 |
| Deferred tax | 25 | 228 | 726 | 115 | 85 |
| Financial assets | 17 | 1 538 | 1 375 | 14 | 12 |
| Total non-current assets | | 17 419 | 19 407 | 3 952 | 6 381 |
| **Current assets** | | | | | |
| Inventories | 18 | 589 | 3 120 | | |
| Trade and other receivables | 19 | 2 763 | 3 752 | 9 247 | 8 054 |
| Current tax receivable | | 105 | 105 | | |
| Cash and cash equivalents | | 1 065 | 2 140 | 29 | 1 229 |
| Total current assets | | 4 522 | 9 117 | 9 276 | 9 283 |
| **Non-current assets classified as held-for-sale** | 20 | 14 979 | 85 | 3 676 | 10 |
| **TOTAL ASSETS** | | 36 920 | 28 609 | 16 904 | 15 674 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 21 | 2 359 | 2 170 | 2 362 | 2 347 |
| Other components of equity | | 3 202 | 2 321 | 1 214 | 1 143 |
| Retained earnings | | 18 027 | 12 946 | 9 825 | 8 656 |
| Equity attributable to owners of the parent | | 23 588 | 17 437 | 13 401 | 12 146 |
| Non-controlling interests | | 20 | (23) | | |
| Total equity | | 23 608 | 17 414 | 13 401 | 12 146 |
| **Non-current liabilities** | | | | | |
| Interest-bearing borrowings | 22 | 2 202 | 3 644 | 2 101 | 2 718 |
| Non-current provisions | 23 | 2 166 | 2 097 | 29 | 27 |
| Post-retirement employee obligations | 24 | 133 | 96 | | |
| Deferred tax | 25 | 1 845 | 1 353 | | |
| Total non-current liabilities | | 6 346 | 7 190 | 2 130 | 2 745 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 3 334 | 3 057 | 537 | 366 |
| Interest-bearing borrowings | 22 | 866 | 716 | 836 | 417 |
| Current tax payable | | 50 | 147 | | |
| Current provisions | 23 | 151 | 33 | | |
| Total current liabilities | | 4 401 | 3 953 | 1 373 | 783 |
| **Non-current liabilities classified as held-for-sale** | 20 | 2 565 | 52 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 36 920 | 28 609 | 16 904 | 15 674 |

# STATEMENTS OF CASH FLOWS

for the year ended 31 December

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | Rm | Rm | Rm | Rm |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash generated by/(utilised in) operations | 27.1 | **6 503** | 4 106 | **(1 461)** | (24) |
| Net financing costs | 27.2 | **(94)** | (256) | **(121)** | (231) |
| Tax paid | 27.3 | **(502)** | (430) | | |
| Dividends paid | 27.4 | **(2 123)** | (1 056) | **(2 150)** | (1 073) |
| | | **3 784** | 2 364 | **(3 732)** | (1 328) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investments to maintain operations | 27.5 | **(1 625)** | (1 155) | **(291)** | (68) |
| Investments to expand operations | 27.6 | **(3 301)** | (1 522) | | |
| Investment in intangible assets | | **(119)** | | **(59)** | |
| Proceeds from disposal of property, plant and equipment | | **496** | 60 | | 1 |
| (Increase)/decrease in investments in other non-current assets | 27.7 | **(325)** | (149) | **(1 209)** | 606 |
| Proceeds from disposal of subsidiaries | | **37** | | **33** | |
| Income from equity accounted investments | 27.8 | **3 516** | 1 815 | | |
| Income from investments | 27.9 | **9** | 2 | **3 829** | 2 205 |
| | | **(1 312)** | (949) | **2 303** | 2 744 |
| **NET CASH INFLOW/(OUTFLOW)** | | **2 472** | 1 415 | **(1 429)** | 1 416 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Interest-bearing borrowings raised | | **338** | 345 | **219** | |
| Interest-bearing borrowings repaid | | **(969)** | (649) | **(1)** | (561) |
| Proceeds from issuance of share capital | | **15** | 29 | **15** | 29 |
| Increase in non-controlling interests | | **11** | 6 | | |
| | | **(605)** | (269) | **233** | (532) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **1 867** | 1 146 | **(1 196)** | 884 |
| Cash and cash equivalents at beginning of year | | **2 140** | 1 023 | **1 229** | 343 |
| Translation difference on movement in cash and cash equivalents | | **158** | (29) | **(4)** | 2 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **4 165** | 2 140 | **29** | 1 229 |
| Cash and cash equivalents classified as held-for-sale at the end of the year | | **3 100** | | | |
| Cash and cash equivalents per statement of financial position | | **1 065** | 2 140 | **29** | 1 229 |
| Cash and cash equivalents end of year | | **4 165** | 2 140 | **29** | 1 229 |
| **CASH FLOWS OF THE DISCONTINUED OPERATIONS** | | | | | |
| Cash flow attributable to operating activities | 8 | **927** | 643 | | |
| Cash flow attributable to investing activities | 8 | **(286)** | (923) | | |
| Cash flow attributable to financing activities | 8 | **1 979** | 437 | | |
| | | **2 620** | 157 | | |

# GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

| | | Other components of equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital Rm | Foreign currency translations Rm | Financial instruments revaluation Rm | Equity-settled Rm | Other reserves Rm | Retained income Rm | Attributable to owners of the parent Rm | Non-controlling interests Rm | Total equity Rm |
| **BALANCE AT 1 JANUARY 2010** | 2 141 | 802 | 3 | 1 241 | | 8 721 | 12 908 | 1 | 12 909 |
| Profit for the year | | | | | | 5 208 | 5 208 | 27 | 5 235 |
| Other comprehensive income | | (43) | 203 | | | | 160 | (57) | 103 |
| Share of comprehensive income of associates | | (43) | 10 | | | 73 | 40 | | 40 |
| Issue of share capital[1] | 29 | | | | | | 29 | | 29 |
| Share-based payments movements | | | | 148 | | | 148 | | 148 |
| Non-controlling interests additional contributions | | | | | | | | 6 | 6 |
| Dividends paid[2] | | | | | | (1 056) | (1 056) | | (1 056) |
| **BALANCE AT 31 DECEMBER 2010** | 2 170 | 716 | 216 | 1 389 | | 12 946 | 17 437 | (23) | 17 414 |
| Profit for the year | | | | | | 7 653 | 7 653 | 4 | 7 657 |
| Other comprehensive income | | 800 | (40) | | | | 760 | 35 | 795 |
| Share of comprehensive income of associates | | 72 | 20 | | 9 | (355) | (254) | | (254) |
| Issue of share capital[1] | 15 | | | | | | 15 | | 15 |
| Manpower vesting issue of shares | 174 | | | | | | 174 | | 174 |
| Share-based payments movement | | | | 23 | | | 23 | 2 | 25 |
| Non-controlling interests additional contributions | | | | | | | | 8 | 8 |
| Dividends paid[2] | | | | | | (2 217) | (2 217) | (6) | (2 223) |
| Transfer to distributable reserve[3] | | (3) | | | | | (3) | | (3) |
| **BALANCE AT 31 DECEMBER 2011** | 2 359 | 1 585 | 196 | 1 412 | 9 | 18 027 | 23 588 | 20 | 23 608 |
| Final dividend paid per share (cents) in respect of the 2010 financial year | 300 | | | | | | | | |
| Dividend paid per share (cents) in respect of the 2011 interim period | 300 | | | | | | | | |
| Final dividend payable per share (cents) in respect of 2011 financial year | 500 | | | | | | | | |

*1 Issued to the Kumba Resources Management Share Trust due to options exercised.*
*2 The Secondary Tax on Companies (STC) on these dividends amount to Rnil after taking into account STC credits (2010: nil).*
*3 Realised foreign currency translation reserve on sale of foreign subsidiary.*

**Foreign currency translation reserve**
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the group.

**Financial instruments revaluation reserve**
The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

**Equity-settled reserve**
The equity-settled reserve represents the fair value of services received and settled by equity instruments granted.

**Other reserves**
Other reserves include other reserves from associates.

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

| | | Other components of equity | | | |
|---|---|---|---|---|---|
| | Share capital Rm | Foreign currency translations Rm | Equity-settled Rm | Retained income Rm | Total equity Rm |
| **BALANCE AT 1 JANUARY 2010** | 2 318 | | 1 041 | 7 038 | 10 397 |
| Total comprehensive income | | 2 | | 2 691 | 2 693 |
| Share-based payments movements | | | 100 | | 100 |
| Cash dividends paid[1] | | | | (1 073) | (1 073) |
| Issue of share capital[2] | 29 | | | | 29 |
| **BALANCE AT 31 DECEMBER 2010** | 2 347 | 2 | 1 141 | 8 656 | 12 146 |
| Total comprehensive income | | (4) | | 3 319 | 3 315 |
| Share-based payments movements | | | 75 | | 75 |
| Cash dividends paid[1] | | | | (2 150) | (2 150) |
| Issue of share capital[2] | 15 | | | | 15 |
| **BALANCE AT 31 DECEMBER 2011** | 2 362 | (2) | 1 216 | 9 825 | 13 401 |
| Dividend paid per share (cents) in respect of the 2010 financial year | 300 | | | | |
| Dividend paid per share (cents) in respect of the 2011 interim period | 300 | | | | |
| Final dividend payable per share (cents) in respect of 2011 financial year | 500 | | | | |

*1 The STC on these dividends amount to Rnil after taking into account STC credits (2010: R nil).*
*2 Issued to the Kumba Resources Management Share Trust due to options exercised.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2011

## 1. ACCOUNTING POLICIES

### Basis of preparation

The consolidated financial statements of Exxaro Resources Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of biological assets, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements is in conformity with IFRS which requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of note 1.

### Adoption of new and revised standards and interpretations

During 2011 the following accounting pronouncements became effective:

- *Amendment to IFRS 7 Financial Instruments: Disclosures* – this amendment clarifies certain of the disclosures relating to credit risk.
- *Amendment to IAS 1 Presentation of Financial Statements* – this amendment clarifies disclosures required for each component of equity.
- *Amendment to IAS 34 Interim Financial Reporting* – this amendment provides further information on the significant events and transactions requiring discussion in interim financial reports.
- *Amendment to IAS 24 Related Party Disclosures* – this amendment clarifies and simplifies the definition of a related party.
- *Amendment to IFRS 7 Financial Instruments: Disclosures* – This amendment provides additional disclosure requirements with respect to transfers of financial assets. This amendment is effective 1 July 2011.

These pronouncements had no material impact on the accounting of transactions or the disclosure thereof.

The effective date of each amendment is included in the list of the new and revised standards and interpretation list below.

The adoption of the amended and revised standards did not have a significant impact on the measurement or disclosure and presentation of items included in the financial statements. No standards were early adopted during 2011 and 2010.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- *IFRS 9 Financial Instruments* – this standard is part of the IASBs project to replace *IAS 39 Financial instruments: Recognition and Measurements.* It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard is effective 1 January 2013.
- *IFRS 10 Consolidated financial statements* – this standard clarifies the concept of control which is the determining factor in whether an entity should be included within the consolidated financial statements. Additional guidance is provided to assist in determining control where this is difficult to assess. The standard is effective 1 January 2013.
- *IFRS 11 Joint arrangements* – this standard provides guidance on the assessment of joint arrangements (as either joint ventures or joint arrangements) and the required accounting for these arrangements. The standard is effective 1 January 2013.
- *IFRS 12 Disclosures of interests in other entities* – this standard describes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective 1 January 2013.
- *IAS 27 (revised 2011) Separate financial statements* – this updated standard includes the provisions on separate financial statements which remain after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is effective 1 January 2013.
- *IAS 28 (revised 2011) Associates and joint ventures* – this updated standard requires equity accounting for investments in associates and joint ventures. The standard is effective 1 January 2013.

Exxaro Resources Limited will early adopt the new suite of consolidation standards on 1 January 2012. The major impact of the early adoption on the group will be that certain joint ventures will no longer be proportionately consolidated, but equity accounted. No other issued standards will be adopted early.

- *Amendment to IAS 12 Income taxes* – this amendment introduces a rebuttable presumption that deferred tax assets or liabilities arising on investment property measured at fair value should be recognised based on recovery by sale. The amendment is effective on 1 January 2012.
- *Amendment to IAS 19 Employee Benefits* – this amendment will require immediate recognition of all actuarial gains and losses in other comprehensive income. The amendments are effective on 1 January 2013.
- *IFRS 13 Fair value measurement* – this standard provides a precise definition of fair value and represents a single source of fair value measurement and disclosure requirements for use across IFRS. The standard is effective on 1 January 2013.
- *IFRIC 20* – Stripping cost *in the production phase of a surface mine* – applies to all types of natural resources that are extracted using a surface mining process. The standard is effective 1 January 2013.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

**1. ACCOUNTING POLICIES (continued)**

**Adoption of new and revised standards and interpretations (continued)**

The directors believe that none of the other new or revised standards and interpretations will have an effect other than enhanced disclosure.

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries. Subsidiaries are those entities in which the group has an interest of more than half of the voting rights or the power to exercise control.

*Subsidiaries*

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits and losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The results of special purpose entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost less accumulated impairment losses. Transaction cost on acquisition of these investments are capitalised.

**Business combinations**

The acquisition method is applied to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired subsidiary and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired subsidiary on an acquisition– by -acquisition basis at fair value.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS39 either in profit and loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

**Goodwill**

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, and the amount of any non-controllable interest, and the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as a bargain purchase in profit and loss.

**Investments in associates and joint ventures**

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

*Associates*

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

Investments in associates are accounted for in the group financial statements using the equity method for the duration of the period in which the group has the ability to exercise significant influence. Equity accounted income represents the group's proportionate share of profits of these entities and the share of tax thereon. The cumulative post acquisition movements in profits and other comprehensive income are adjusted against the carrying amount of the investment. The retained earnings of an associate, net of any dividends, are classified as distributable reserves.

The group's interest in associates is carried in the statement of financial position at an amount that reflects its share of the net assets and the unimpaired portion of goodwill on acquisition. Where the group's share of losses of an associate exceeds the carrying amount of the associate, the investment in the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred further funding obligations or provided guarantees or sureties in respect of the associate.

Where associates' financial year-ends are not co-terminous with that of the company, financial information has been obtained from published information or management accounts as appropriate.

## 1. ACCOUNTING POLICIES (continued)

### Investments in associates and joint ventures (continued)

*Joint ventures*

A joint venture is an entity jointly controlled by the group and one or more other ventures in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in joint ventures are accounted for in the group financial statements using the proportionate consolidation method.

Where necessary, the results of associates and joint ventures are restated to ensure consistency with group policies. For associates, unrealised profits and losses are eliminated to the extent of the groups interest in the associate. For joint ventures, only the portion of the unrealised profits and losses that is attributable to the interest of the other ventures is recognised.

### Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful lives of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

| 2011 | Coal | Mineral Sands |
|---|---|---|
| Buildings and infrastructure (including residential buildings) | **1 - 25 years** | **3 - 40 years** |
| Mineral properties (over life of mine) | **1 - 25 years** | **3 - 29 years** |
| Fixed plant and equipment | **1 - 25 years** | **1 - 30 years** |
| Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares | **13 000 - 50 000 hours or 1 - 17 years** | **3 - 25 years** |
| Loose tools and computer equipment | **1 - 6 years** | **3 - 10 years** |
| Development costs | **1 - 15 years** | **10 - 20 years** |
| Refractory relines | **10 years** | **4 - 6 years** |
| Site preparation, mining development and exploration | **1 - 25 years** | **3 - 29 years** |

| 2011 | Base Metals | Industrial Minerals | Other |
|---|---|---|---|
| Buildings and infrastructure (including residential buildings) | **2 - 47 years** | **10 - 20 years** | **20 - 25 years** |
| Mineral properties (over life of mine) | **n/a** | **n/a** | **n/a** |
| Fixed plant and equipment | **2 - 50 years** | **5 - 15 years** | **5 years** |
| Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares | **2 - 15 years** | **5 years** | **2 - 5 years** |
| Loose tools and computer equipment | **2 - 8 years** | **5 years** | **3 - 5 years** |
| Development costs | **n/a** | **n/a** | **n/a** |
| Refractory relines | **n/a** | **n/a** | **n/a** |
| Site preparation, mining development and exploration | **7 - 25 years** | **n/a** | **n/a** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 1. ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

| 2010 | Coal | Mineral Sands |
|---|---|---|
| Buildings and infrastructure (including residential buildings) | 1 - 25 years | 3 - 40 years |
| Mineral properties (over life of mine) | 1 - 25 years | 3 - 29 years |
| Fixed plant and equipment | 1 - 25 years | 1 - 30 years |
| Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares | 13 000 - 50 000 hours or 1 - 17 years | 3 - 25 years |
| Loose tools and computer equipment | 1 - 10 years | 3 - 10 years |
| Development costs | 1 - 20 years | 10 - 20 years |
| Refractory relines | 10 years | 4 - 6 years |
| Site preparation, mining development and exploration | 1 - 25 years | 3 - 29 years |

| 2010 | Base Metals | Industrial Minerals | Other |
|---|---|---|---|
| Buildings and infrastructure (including residential buildings) | 2 - 47 years | 10 - 25 years | 20 - 25 years |
| Mineral properties (over life of mine) | n/a | n/a | n/a |
| Fixed plant and equipment | 2 - 50 years | 5 - 25 years | 5 years |
| Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares | 2 - 15 years | 5 - 15 years | 2 - 5 years |
| Loose tools and computer equipment | 2 - 8 years | 5 years | 3 - 5 years |
| Site preparation, mining development and exploration | 7 - 25 years | 20 years | n/a |

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit and loss.

Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Gains and losses on the disposal of property, plant and equipment are taken to profit and loss.

**Leased assets**
*Where the group is the lessee*
Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

Leases of assets to the group under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance or operating lease, measured, and accounted for accordingly.

*Where the group is the lessor*
Portions of fixed property and leased property is leased or subleased out under operating leases. The fixed property is included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due.

1. **ACCOUNTING POLICIES (continued)**

**Leased assets (continued)**

*Contingent rent*

The portion of the lease payments or receipts that is not fixed in amount but based on the future amount of a factor that changes other than with the passage of time, is classified as contingent rent.

**Biological assets**

Biological assets are measured on initial recognition and at each financial year-end at their fair value less estimated point-of-sale costs and any change in value is included in the net profit and loss for the period in which it arises. Plantations are measured at their fair value less estimated point-of-sale costs. The fair value of the plantations is determined by an independent appraiser.

Livestock are measured at fair value less estimated point-of-sale costs, fair value being determined based on size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered. Livestock held-for-sale is classified as consumable biological assets (inventories).

Game is measured at fair value less estimated point-of-sale costs, fair value being determined as the market price. Market price is determined with reference to the most recent live auction selling prices. Game held-for-sale is classified as consumable biological assets (inventories).

**Intangible assets**

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The estimated maximum useful lives of intangible assets in respect of patents, licenses and franchises are 25 years.

The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

**Research, development and exploration costs**

Research, development and exploration costs are recognised as an expense in the statement of comprehensive income as incurred. When development cost result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are compared with its recoverable amounts at each financial year-end to determine whether there is any impairment.

**Impairment of assets**

The carrying amounts of assets are reviewed at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the fair value less costs to sell and the value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

**Financial instruments**

*Recognition*

A financial instrument is recognised when the group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the time frame established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to acquire the asset.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Derecognition*

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the group is recognised as a separate asset or liability.

The group may enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

*Financial instruments at fair value through profit or loss*

The group designates financial assets and liabilities at fair value through profit and loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit and loss.

All of the group's financial instruments designated as at fair value through profit and loss were designated as such as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, financial instruments designated or classified as at fair value through profit and loss are measured at fair value with changes in fair value recognised in profit and loss.

*Available-for-sale financial assets*

The group has designated certain assets as available-for-sale financial assets. In other circumstances available-for-sale financial assets are classified as such because they do not fall within the classification of loans and receivables, held to maturity investments or financial assets at fair value through profit and loss. Gains or losses on available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary items. When the financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit and loss.

*Financial instruments not at fair value through profit and loss, and not available-for-sale*

- **Receivables**
  Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the long-term receivables and trade and other receivables are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

- **Loans and borrowings**
  Loans and borrowings are measured at amortised cost using the effective interest rate method.

- **Payables**
  Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

- **Investment in equity instruments**
  The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit and loss as gains and losses from investment securities.

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Derivative financial instruments*

The group holds derivative financial instruments to hedge its foreign currency, interest rate and price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss.

Derivative instruments are recognised initially at fair value; attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value, and changes in fair value are accounted for as described below.

*Fair value hedges*

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit and loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit and loss as part of the recalculated effective interest rate of the item over its remaining life.

*Cash flow hedges*

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit and loss, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in profit and loss in the same period as the hedged item's cash flows affect profit and loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit and loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit and loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit and loss.

*Economic hedges*

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit and loss as part of foreign currency gains and losses.

*Separable embedded derivatives*

Changes in the fair value of separable embedded derivatives are recognised immediately in profit and loss.

*Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment allowance is raised when there is an indication of impairment and a write-off is only effected when the debtor is deemed to be fully impaired and not recoverable.

An available for sale equity investment is impaired when:

- its fair value has declined to below cost (adverse developments affecting the investee or operating environment have occurred since acquisition that, individually or collectively amount to objective evidence of impairment; or the decline in fair value is significant or prolonged); and
- there is objective evidence of impairment (sometimes referred to as an impairment indicator).

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

*Offset*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 1. ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Determining fair values*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using generally accepted valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are available on the market.

The fair value of long and medium-term borrowings is calculated using quoted market prices, or where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the borrowing is used. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from widely available current market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analyses for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

*Financial guarantee contracts*

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

*Net finance costs*

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit and loss. Interest income is recognised as it accrues in profit and loss, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of IFRIC 4, unwinding of the discount on provisions, and dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit and loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

*Fees and commission*

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are received.

*Inventories*

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

### Foreign currencies

*Transactions and balances*

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains or losses arising on translation and settlement are credited to or charged against income.

*Foreign entities*

The financial statements of foreign entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at the reporting date;
- income, expenditure and cash flow items at weighted average rates; and
- goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the statement of comprehensive income as part of the cumulative gain or loss on disposal.

*Foreign currency hedges*

Foreign currency hedges are dealt with in the financial instruments accounting policy.

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Exchange rates used*

The average US dollar to South African rand conversion rate, where applicable, of US$1: R7,22 (2010: US$1: R7,30) has been used to translate the statements of comprehensive income and cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period of US$1: R8,18 (2010: US$1: R6,63).

**Revenue recognition**

Revenue, which excludes value added tax, represents the gross value of goods invoiced.

Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

**Interest and dividend income**

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

**Income tax expense**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences).

The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

**Deferred tax**

Deferred tax is provided using the statement of financial position liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged or credited to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

**Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

*Decommissioning and environmental rehabilitation*

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

Annual contributions are made to the group's Environmental Rehabilitation Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The Exxaro Environmental Rehabilitation Fund is consolidated.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against profit and loss as incurred.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

**1. ACCOUNTING POLICIES (continued)**

**Provisions (continued)**

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Refer note 23.

Unwinding of discount due to passage of time is included as an element of borrowing costs in arriving at profit and loss for the year end. The movements from one reporting period to the next, due to change in the estimate of provision are accounted for in the statement of comprehensive income as well as the statement of financial position. Changes in the cost of estimate for the land rehabilitation due to inflation and change in the life of mine other than the one year lapsed is included in the statement of comprehensive income as borrowing costs. Change in the rehabilitation cost estimate due to scope change is included in the statement of comprehensive income as cost of sales.

**Employee benefits**

***Post-employment obligations***

*Defined contribution plan*

The group provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the group, taking account of the recommendations of independent actuaries. The group's contribution to the defined contribution fund is charged to the statement of comprehensive income in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

*Defined benefit obligations*

Provision for severance benefits is made in accordance with Namibian law for the Rosh Pinah operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

Unrecognised actuarial gains or losses are recognised in profit and loss based on the corridor method. In other words, an excess of the balance of unrecognised gains or losses over 10% of the greater of the present value of the obligation or fair value of the plan assets is recognised in profit and loss over the expected remaining working lives of participating employees.

Past service cost is recognised immediately to the extent that the benefits are vested and recognised over the remaining period until vesting for benefits that are unvested.

A post-retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using actuarial assumptions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit and loss.

***Short and long-term benefits***

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at financial year-end, based on current total cost to company.

***Termination benefits***

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

***Equity compensation benefits***

Senior management, including executive directors, and eligible employees participated in the share appreciation right scheme (SARs), long-term incentive plan (LTIP), deferred bonus plan (DBP), share option scheme and the employee empowerment participation scheme (Mpower).

SARs, LTIP, DBP, share options and Mpower are treated as equity-settled share based payment schemes with the fair value being expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

1. **ACCOUNTING POLICIES (continued)**

**Employee benefits (continued)**

*Equity compensation benefits (continued)*

Only share options issued to certain executives and senior managers (phantom options) are treated as cash-settled share based payments. A liability equal to the portion of goods and services received is recognised at the current fair value determined at each financial year-end.

**Dividend**

Dividends paid are recognised by the company when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year end are not recognised at the financial year-end, but are disclosed in the notes to the financial statements.

**Secondary tax on companies**

Tax costs incurred on dividends are included in the taxation line in the statement of comprehensive income in the year in which the related dividends are declared.

**Discontinued operations and non-current assets held-for-sale**

Discontinued operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit and loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date.

If the carrying amount of a non-current asset and liability or disposal group will be recovered principally through a sale transaction rather than through continuing use, such an asset and liability is classified as non-current assets and liabilities held-for-sale and measured at the lower of carrying amount and fair value less cost to sell. This condition is regarded as met only when the sale is highly probable and the asset and liability (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**Segment reporting**

Exxaro is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, base metals, and selected industrial minerals. Exxaro also holds a 19,98% interest in Sishen Iron Ore Company (Pty) Limited which extracts and processes iron ore.

Segments are based on the group's different products and operations as well as the physical location of these operations and associated products. The group's reportable segments are tied coal operations, commercial coal operations, KZN Sands, Namakwa Sands, Australia Sands, Rosh Pinah, Zincor, other base metals and other. The basis of segment reporting is representative of the internal structure used for management reporting.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. The carrying amount of these assets approximates their fair value.

**Judgements made by management**

The following judgements, apart from those involving estimates (as mentioned below) have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- the identification of special purpose entities controlled by the group which must be consolidated (refer note 30);
- in applying IFRS 5 *Non-current Assets Held-for-Sale* and *Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5;
- in applying IFRS 2 *Share-based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models (refer note 32);
- in applying IFRIC 4 *Determining whether an Arrangement contains a Lease*, and IAS 17 *Leases*, contractual agreements were assessed to determine whether they convey the right to use an asset and their classification as either an operating or finance lease;
- in applying IFRS 8 *Operating Segments*, the identification of reportable operating segments of the group;
- in applying IAS 19 *Employee Benefits*, the identification as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme; and
- in applying IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, management has made certain judgements in respect of estimates for determining the present obligation of environmental and decommissioning provisions.

**Key assumptions made by management in applying accounting policies**

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year-end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly:

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. **ACCOUNTING POLICIES (continued)**

**Judgements made by management (continued)**

*Going concern*

Management considers key financial metrics and loan covenant compliance in its approved medium term budgets, together with its existing term facilities, to conclude that the going concern assumption used in the compiling of its annual financial statements, is relevant.

*Share-based payments*

For share-based payments, estimates are made in determining the fair value of equity instruments granted. The assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life. Refer note 32.

*Post-retirement obligations*

For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of schemes assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Refer note 24.

*Other provisions*

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Refer note 23.

*Impairments and impairment reversals*

Exxaro reviews the carrying amount of its property, plant and equipment at least at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The recoverable amounts of cash generating units are generally determined based on fair value less cost to sell calculations. These calculations require the use of estimates.

Should management's estimate of the future not reflect actual events, further impairments may be identified.

Factors affecting the estimates include:

- changes to estimates of mineral resources and ore reserves;
- economical recovery of resources;
- the grade of the ore reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at operations.
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates and foreign exchange rates; and
- changes in capital, operating mining, processing and reclamation costs.

*Contingent liabilities*

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation. Refer note 33.

*Deferred tax assets*

Deferred tax assets are recognised based on the probability that sufficient future taxable income will be available to reduce the asset carried. This requires management to make assumptions on a subsidiary by subsidiary level of future taxable income in determining the deferred tax asset to be raised. Refer note 25.

*Useful life and residual values*

The depreciable amount of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount management makes certain assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful life of assets management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

*Mineral resources*

Management make estimates of mineral resources and ore reserves in accordance with the SAMREC Code (2000) for South African properties and the JORC Code (2004) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **2.** | **REVENUE** | | | | |
| | Sale of goods | 21 305 | 17 127 | | |
| | Services | | 28 | 1 141 | 1 048 |
| | | 21 305 | 17 155 | 1 141 | 1 048 |
| | Revenue from continuing operations | 12 471 | 10 116 | 1 141 | 1 048 |
| | Revenue from discontinuing operations | 8 834 | 7 039 | | |
| **3.** | **OPERATING EXPENSES** | | | | |
| | **Cost by type** | | | | |
| | Raw materials and consumables | 4 301 | 3 470 | 92 | 30 |
| | Staff costs | | | | |
| | – salaries and wages | 3 935 | 3 702 | 616 | 566 |
| | – share-based payments | 165 | 145 | 78 | 67 |
| | – termination benefits | 114 | 6 | 20 | |
| | – pension and medical costs | 302 | 282 | 39 | 36 |
| | Loss/(profit) from sale of investments | 3 | | (24) | |
| | General charges | 3 177 | 2 277 | 774 | 479 |
| | Royalties | 141 | 114 | | |
| | Railage and transport | 1 426 | 1 109 | 3 | 2 |
| | Repairs and maintenance | 2 029 | 1 808 | 4 | 4 |
| | Impairment (reversals)/charges of non-current assets (refer note 4) | (353) | 4 | 278 | 48 |
| | Impairment (reversals)/charges and write-offs of trade and other receivables | (226) | 45 | (422) | 10 |
| | Energy | 1 192 | 946 | 8 | 7 |
| | Depreciation of property, plant and equipment (refer note 12) | 1 184 | 1 367 | 48 | 41 |
| | Amortisation of intangible assets (refer note 14) | 19 | 13 | 16 | 9 |
| | Movement in inventories | (278) | (631) | | |
| | Development expenditure capitalised | (192) | (125) | (6) | (4) |
| | Sublease rentals received | (15) | (13) | | |
| | | 16 924 | 14 519 | 1 524 | 1 295 |
| | Operating expenses from continuing operations | 9 663 | 7 628 | 1 524 | 1 295 |
| | Operating expenses from discontinued operations | 7 261 | 6 891 | | |
| | **Cost by function** | | | | |
| | Costs of goods sold/services rendered | 16 284 | 13 539 | 1 692 | 1 237 |
| | Selling and distribution costs | 1 231 | 944 | | |
| | Sublease rentals received | (15) | (13) | | |
| | Impairment (reversals)/charges of non-current assets (refer note 4) | (353) | 4 | 278 | 48 |
| | Impairment (reversals)/charges, write-offs of trade and other receivables | (226) | 45 | (422) | 10 |
| | Loss/(profit) from sale of investments | 3 | | (24) | |
| | | 16 924 | 14 519 | 1 524 | 1 295 |
| | Operating expenses from continuing operations | 9 663 | 7 628 | 1 524 | 1 295 |
| | Operating expenses from discontinued operations | 7 261 | 6 891 | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | AGGREGATE | | | |
|---|---|---|---|---|
| | GROUP | | COMPANY | |
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **3. OPERATING EXPENSES (continued)** | | | | |
| The above costs are stated after including: | | | | |
| Auditors' remuneration | | | | |
| – audit fees | **15** | 16 | **4** | 5 |
| – other services | **23** | 1 | **21** | |
| Consultancy fees | **428** | 224 | **309** | 148 |
| Contingent rentals paid | **14** | 13 | | |
| Contingent rentals received | **(79)** | (58) | | |
| Currency exchange differences | | | | |
| – net realised (profits)/losses on currency exchange differences | **(538)** | 125 | **(1)** | 4 |
| – net unrealised (profits)/losses on currency exchange differences | **(15)** | 30 | **(6)** | 2 |
| Depreciation and amortisation (refer note 12) | | | | |
| – buildings | **14** | 16 | | |
| – mineral properties | **162** | 185 | | |
| – residential buildings | **5** | 6 | | |
| – buildings and infrastructure | **102** | 151 | | |
| – machinery, plant and equipment | **837** | 916 | **48** | 41 |
| – leased assets under finance lease | **9** | 44 | | |
| – site preparation, mining development, exploration and rehabilitation | **49** | 49 | | |
| – extensions under construction | **6** | | | |
| – amortisation of intangible assets | **19** | 13 | **16** | 9 |
| Directors' emoluments (refer to the Directors' and prescribed officers' remuneration report, 77 to 109) | | | | |
| Executive directors | | | | |
| – remuneration received by directors of the company | | | **22** | 19 |
| – bonuses and cash incentives | | | **5** | 5 |
| Non-executive directors | | | | |
| – remuneration received by directors of the company | | | **4** | 3 |

| | FROM CONTINUING OPERATIONS | | | | FROM DISCONTINUED OPERATIONS | | | |
|---|---|---|---|---|---|---|---|---|
| | GROUP | | COMPANY | | GROUP | | COMPANY | |
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| | 10 | 11 | 4 | 5 | 5 | 5 | | |
| | 22 | 1 | 21 | | 1 | | | |
| | 405 | 198 | 309 | 148 | 23 | 26 | | |
| | | | | | 14 | 13 | | |
| | (79) | (58) | | | | | | |
| | (177) | 30 | (1) | 4 | (361) | 95 | | |
| | 20 | (6) | (6) | 2 | (35) | 36 | | |
| | | (1) | | | 14 | 17 | | |
| | 140 | 145 | | | 22 | 40 | | |
| | 3 | 3 | | | 2 | 3 | | |
| | 68 | 65 | | | 34 | 86 | | |
| | 466 | 411 | 48 | 41 | 371 | 505 | | |
| | | 1 | | | 9 | 43 | | |
| | 35 | 30 | | | 14 | 19 | | |
| | 6 | | | | | | | |
| | 16 | 10 | 16 | 9 | 3 | 3 | | |
| | | | 22 | 19 | | | | |
| | | | 5 | 5 | | | | |
| | | | 4 | 3 | | | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | AGGREGATE | | | |
|---|---|---|---|---|
| | GROUP | | COMPANY | |
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **3. OPERATING EXPENSES (continued)** | | | | |
| Employee related restructuring cost | **113** | 6 | **20** | |
| Exploration expenditure | **130** | 60 | | |
| Fair value (gains)/losses on financial assets at fair value through profit and loss: | | | | |
| – designated upon initial recognition | **(14)** | (13) | | |
| – held-for-trading | **354** | (483) | | |
| – ineffectiveness arising from cash flow hedges (gains)/losses | | (5) | | |
| Fair value losses/(gains) on financial liabilities at fair value through profit and loss: | | | | |
| - held-for-trading | **(4)** | 36 | **3** | |
| Net fee costs on financial liabilities not at fair value through profit and loss | **34** | 5 | **4** | 5 |
| Impairment (reversals)/charges of non-current assets | **(353)** | 4 | **278** | 48 |
| Inventories write down to net realisable value | **1** | 50 | | |
| Provisions expense/(income) | **345** | 47 | **1** | (1) |
| Net (profit)/loss on disposal or scrapping of property, plant and equipment | **(1)** | (32) | | |
| Net loss/(profit) on disposal of investment | **3** | | **(24)** | |
| Operating lease rentals expenses | | | | |
| - property | **226** | 14 | **89** | 6 |
| - equipment | **110** | 118 | **10** | 10 |
| Operating sublease rentals received | | | | |
| - property | **(15)** | (13) | | |
| Reconditionable spares usage | **3** | 6 | | |
| Research and development costs | **4** | 3 | **1** | |
| Impairment (reversals)/charges, write-offs of trade and other receivables[1;2] | **(226)** | 45 | **(422)** | 10 |

*1 Consequent to the partial reversal of impairment of the KZN Sands businesses in 2011, impairment on intergroup loans receivable by the company (included in trade and other receivables) to the amount of R941 million were reversed.*

*2 Consequent to the impairment of the Zincor refinery in 2011, intergroup loans receivable by the company (included in trade and other receivables) were impaired to the amount of R519 million.*

*Note:*
**Pensions**
Retirement amounts paid or receivable by executive directors are paid or received under defined contribution retirement funds.

| | FROM CONTINUING OPERATIONS | | | | FROM DISCONTINUED OPERATIONS | | | |
|---|---|---|---|---|---|---|---|---|
| | GROUP | | COMPANY | | GROUP | | COMPANY | |
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| | 47 | 6 | 20 | | 66 | | | |
| | 130 | 60 | | | | | | |
| | (11) | (10) | | | (3) | (3) | | |
| | 154 | (159) | | | 200 | (324) | | |
| | | | | | | (5) | | |
| | 1 | 6 | 3 | | (5) | 30 | | |
| | 30 | 2 | 4 | 5 | 4 | 3 | | |
| | | 4 | 278 | 48 | (353) | | | |
| | | | | | 1 | 50 | | |
| | 136 | 27 | 1 | (1) | 209 | 20 | | |
| | (38) | (48) | | | 37 | 16 | | |
| | (1) | | (24) | | 4 | | | |
| | 98 | 24 | 89 | 6 | 128 | (10) | | |
| | 103 | 98 | 10 | 10 | 7 | 20 | | |
| | (12) | (10) | | | (3) | (3) | | |
| | 2 | 5 | | | 1 | 1 | | |
| | 4 | 2 | 1 | | | 1 | | |
| | (228) | 44 | (422) | 10 | 2 | 1 | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **4. IMPAIRMENT/(REVERSALS) CHARGES OF NON-CURRENT ASSETS** | | | | |
| Impairment of property, plant and equipment[1] | 516 | | | |
| Impairment of investments[2] | | | 278 | 48 |
| Impairment of property, plant and equipment held-for-sale[3] | | 4 | | |
| **Total impairment charges** | 516 | 4 | 278 | 48 |
| Reversal of impairment of property, plant and equipment[4] | (869) | | | |
| Tax effect | | (1) | | |
| **Net effect on attributable earnings** | (353) | 3 | 278 | 48 |
| Total impairment | (353) | 3 | 278 | 48 |
| – continuing operations | | | 278 | 48 |
| – discontinued operations | (353) | 3 | | |

*1 Impairment due to changes in the manner in which the Zincor refinery asset is expected to be used, coupled with a reassessment of the assets' carrying value.*
*2 Relates to the impairment of the Botswana investment (R31 million) held by the company. Due to the risk profile and early stage of the exploration phase of the project, the entire investment has been impaired until such time as the economically exploitable profile of the gas reserves is better understood. The investment in the Zincor refinery (R247 million) was impaired in line with the board decision not the continue with the production of zinc.*
*3 The sale of the Glen Douglas mine as a disposal group, required an impairment to the fair value less costs to sell in terms of IFRS 5 Non-current assets held-for-sale.*
*4 Relates to KZN Sands.*

Due to the recent announcement by Exxaro and Tronox Incorporated to sell Exxaro's mineral sands assets to New Tronox Incorporated (New Tronox) in exchange for shares in New Tronox, a market value was established. This market value has been used to determine the best fair value indicator of the assets. To this end, the fair value coupled with the current economic performance of the mineral sands commodity warrants a reversal of the previous impairments.

During 2006, the carrying value of the assets of KZN Sands was reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R785 million. During 2009, the carrying value of the assets of KZN Sands was further reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R1 435 million. The impairment in 2009 resulted from a decision by Exxaro's board of directors, as a result of depressed market conditions at the time, not to proceed with the planned development of the Fairbreeze mine. Instead, management began planning for Hillendale's closure at KZN Sands and investigated feedstock alternatives to permit the continuation of KZN Sands's operations following Hillendale's closure.

During 2011, as a result of the improvement in global market conditions and increase demand for titanium feedstock and zircon and the consequential increases in their prices, Exxaro's board of directors approved the development of the Fairbreeze mine as a replacement feedstock producer to the Hillendale mine at KZN Sands, subject to obtaining the required regulatory and environmental approvals.

During the period between the decommissioning of the Hillendale mine, which is expected to occur at the end of 2012, and the commencement of operations at the Fairbreeze mine, which is expected in 2014, KZN Sands has identified alternate supplies of ilmenite from Namakwa Sands, the Tiwest Joint Venture and other third party suppliers. The identification of alternate supplies of ilmenite have led to an increased recoverable amount assigned to the smelters at KZN Sands. As a result, management reversed the impairment previously recognised on smelter-specific property, plant and equipment, amounting to R869 million. The impairment reversal was restricted to increasing the carrying value of the relevant smelter assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

The reversal is however limited to the extent to which feedstock supply for the smelter can be secured until the relevant regulatory approvals are received. Therefore a partial impairment reversal was recognised for the year ended 31 December 2011. Future impairment reversals will be conditional on successfully obtaining the regulatory approvals for the development of the Fairbreeze mine.

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **5. NET FINANCING COSTS** | | | | |
| Interest expense and loan costs | **(289)** | (321) | **(222)** | (294) |
| Finance leases interest | **204** | (70) | | |
| Interest income | **223** | 135 | **101** | 64 |
| Net interest income/(expense) | **138** | (256) | **(121)** | (230) |
| Interest adjustment on non-current provisions (refer note 23) | **(426)** | (196) | **(1)** | (1) |
| Interest adjustment on post-retirement obligation provision (refer note 24) | **(3)** | (3) | | |
| | **(291)** | (455) | **(122)** | (231) |
| Total net financing costs | **(291)** | (455) | **(122)** | (231) |
| – continuing operations | **(431)** | (316) | **(122)** | (231) |
| – discontinued operations | **140** | (139) | | |
| *Included in interest expense are the following:* | | | | |
| Interest expense on financial liabilities measured at amortised cost | **(288)** | (313) | **(222)** | (293) |
| Interest expense on bank overdrafts | **(1)** | (2) | **(1)** | (1) |
| Interest expense on financial liabilities held-for-trade | **(1)** | | | |
| Interest expense or non-financial liabilities | | (6) | | |
| *Included in interest income are the following:* | | | | |
| Interest income on unimpaired loans and receivables | **32** | 26 | | |
| Interest income on cash and cash equivalents | **132** | 89 | **101** | 63 |
| Interest income on financial assets designated at fair value through profit and loss | **18** | 18 | | 1 |
| Interest income on non-financial assets | **42** | | | |
| **6. INCOME FROM INVESTMENTS** | | | | |
| **Subsidiaries** | | | | |
| Unlisted shares | | | | |
| – dividends | | | **32** | 1 016 |
| – net interest received | | | **281** | 378 |
| | | | **313** | 1 394 |
| **Associates** | | | | |
| – dividends | | | **3 516** | 1 811 |
| **Other** | | | | |
| Listed shares | **4** | 2 | | |
| Unlisted shares | **5** | | | |
| **Total** | **9** | 2 | **3 829** | 3 205 |
| Total income from investments | **9** | 2 | **3 829** | 3 205 |
| – continuing operations | **4** | 2 | **3 829** | 3 205 |
| – discontinued operations | **5** | | | |
| *Included in net interest received are the following:* | | | | |
| Interest expense on financial liabilities measured at amortised cost | | | **(97)** | (111) |
| Interest income on impaired loans and receivables | | | **33** | 12 |
| Interest income on loans and receivables (not impaired) | | | **345** | 477 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **7. INCOME TAX EXPENSE** | | | | |
| *South African normal tax* | | | | |
| Current | 339 | 434 | | 13 |
| – current year | 341 | 405 | | |
| – prior year | (2) | 29 | | 13 |
| Deferred | 517 | 230 | 5 | 23 |
| – current year | 516 | 139 | 1 | 23 |
| – prior year | 1 | 91 | 4 | |
| *Foreign normal tax* | | | | |
| Current | 46 | 44 | | |
| – current year | 45 | 56 | | |
| – prior year | 1 | (12) | | |
| Deferred | 205 | (43) | | |
| – current year | 215 | (46) | | |
| – prior year | (10) | 3 | | |
| Withholding tax | 3 | | | |
| **Total charge to statement of comprehensive income** | 1 110 | 665 | 5 | 36 |
| Total income tax expense | 1 110 | 665 | 5 | 36 |
| – continuing operations | 986 | 732 | 5 | 36 |
| – discontinued operations (refer note 8) | 124 | (67) | | |
| **Reconciliation of tax rates** | % | % | % | % |
| Tax as a percentage of profit before tax | 12,7 | 11,3 | 0,2 | 1,3 |
| Tax effect of: | | | | |
| – assessed losses not provided for | (0,3) | (0,2) | | |
| – capital losses | (0,6) | (0,3) | 0,2 | |
| – disallowable expenditure | (2,3) | (0,2) | (3,3) | (1,3) |
| – exempt income | 0,4 | 0,7 | 29,9 | 29,0 |
| – special tax allowances | | 1,3 | | |
| – share of associates and joint ventures | 15,0 | 17,6 | | |
| – tax rate differences | | 0,1 | | |
| – Controlled Foreign Company (CFC) imputations | | (0,2) | | |
| – prior year adjustment | 0,1 | (1,9) | (0,1) | (0,5) |
| – derecognition of deferred tax asset | (6,2) | (0,2) | | |
| – re-instatement of deferred tax asset | 9,2 | | | |
| – impairment of investments | | | (2,3) | |
| – reversal of impairments | | | 7,8 | |
| – write down of subsidiaries' loans | | | (4,4) | (0,5) |
| **Standard tax rate** | 28,0 | 28,0 | 28,0 | 28,0 |
| Effective tax rate for operations, excluding income from equity accounted investments, reinstatement and derecognition of deferred tax asset. | 29,6 | 30,5 | | |

## 8. DISCONTINUED OPERATIONS

The Rosh Pinah mine assets classified as held-for-sale represent a separate major line of business as well as geographical area of operation and form part of a single co-ordinated plan to dispose of the assets and related liabilities. Although the sale transaction is still conditional to the completion of certain conditions precedent at 31 December 2011, IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* requires that the Rosh Pinah operations be classified as discontinued operations.

On 27 July 2011 it was announced that Exxaro was planning to cease zinc production at the Zincor refinery. Following the necessary consultations, Zincor ceased production on 12 December 2011. To this end, the Zincor refinery has been classified as discontinued.

On 26 September 2011, Exxaro and Tronox announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest Joint Venture with Tronox in Western Australia, along with 74% of Exxaro's KZN Sands and Namakwa Sands operations in South Africa, in exchange for approximately 38,5% of New Tronox's equity.

The Mineral Sands operations also represent a separate major line of business as well as geographical areas of operations with a single co-ordinated plan to dispose of the assets and related liabilities. As at 31 December 2011, this disposal plan is conditional to the completion of certain conditions precedent. The operations have therefore been classified as discontinued by virtue of them being classified as non-current assets held-for-sale.

The Glen Douglas dolomite mine investment, which was disclosed as non-current asset held-for-sale as at 31 December 2010, was sold to JSE-Listed materials supplier Afrimat Limited on 1 January 2011. The investment was therefore effectively only accounted for one day in the year ended 31 December 2011.

Financial information relating to the discontinued operations for the year is set out below.

| | GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | **Rm** | Rm |
| **The financial performance information** | | |
| Revenue | **8 834** | 7 039 |
| Operating expenses | **(7 261)** | (6 891) |
| **Net operating profit** | **1 573** | 148 |
| Interest income | **269** | 18 |
| Interest expense | **(129)** | (157) |
| Share of income from investments (refer note 6) | **5** | |
| **Profit before tax** | **1 718** | 9 |
| Income tax (expense)/benefit (refer note 7) | **(124)** | 67 |
| **Profit for the year from discontinued operations** | **1 594** | 76 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 8. DISCONTINUED OPERATIONS (continued)

The assets, equity and liabilities of the businesses classified as non-current assets held-for-sale and those discontinued were as follows:

| | GROUP 2011 Rm | GROUP 2010 Rm |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 6 623 | 6 060 |
| Intangible assets | 131 | 73 |
| Loans – Exxaro Resources/fellow-subsidiaries | 1 666 | 1 601 |
| Deferred tax | 499 | 275 |
| Financial assets | 156 | 138 |
| Total non-current assets | 9 075 | 8 147 |
| **Current assets** | | |
| Inventories | 2 487 | 2 563 |
| Trade and other receivables | 2 161 | 1 627 |
| Current tax receivable | 18 | |
| Cash and cash equivalents | 3 101 | 481 |
| Total current assets | 7 767 | 4 671 |
| **Non-current assets classified as held-for-sale** | 2 | |
| **TOTAL ASSETS** | 16 844 | 12 818 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | 1 800 | |
| Other components of equity | 961 | 811 |
| Retained earnings | (1 732) | (2 298) |
| Equity attributable to owners of the parent | 1 029 | (1 487) |
| Non-controlling interests | 24 | (18) |
| Total equity | 1 053 | (1 505) |
| **Non-current liabilities** | | |
| Interest-bearing borrowings | 2 056 | 2 712 |
| Loans – Exxaro Resources/fellow-subsidiaries | 10 501 | 8 857 |
| Non-current provisions | 1 263 | 985 |
| Deferred tax | 56 | 94 |
| Total non-current liabilities | 13 876 | 12 648 |
| **Current liabilities** | | |
| Trade and other payables | 1 096 | 969 |
| Interest-bearing borrowings | 704 | 691 |
| Current tax payable | 2 | 3 |
| Current provisions | 113 | 12 |
| Total current liabilities | 1 915 | 1 675 |
| **TOTAL EQUITY AND LIABILITIES** | 16 844 | 12 818 |
| Net asset/(liability) | 1 053 | (1 505) |

## 8. DISCONTINUED OPERATIONS (continued)

The cash flows of the discontinued operations were as follows:

| | GROUP 2011 Rm | GROUP 2010 Rm |
|---|---|---|
| Cash flows attributable to operating activities | 927 | 643 |
| Cash flows attributable to investing activities | (286) | (923) |
| Cash flows attributable to financing activities | 1 979 | 437 |
| **Cash flows attributable to discontinued operations** | 2 620 | 157 |

| **Gains/(losses) on the disposal of subsidiaries**[1] | Turkey Rm | Glen Douglas Rm | Total Rm |
|---|---|---|---|
| **Consideration received or receivable:** | | | |
| Cash | 17 | 33 | 50 |
| Total disposal consideration | 17 | 33 | 50 |
| Carrying amount of net assets sold | (12) | (37) | (49) |
| Gain/(loss) on sale before and after income tax | 5 | (4) | 1 |

1 *The Minerals Sands operations and the Rosh Pinah operation have been classified as discontinued as part of IFRS 5 Non-current Asset Held-for-sale and Discontinued Operations requirements where a separate major line of business has been classified as held-for-sale. Actual sale has not occurred at 31 December 2011, whilst Zincor has been classified as discontinued based on the board decision to cease production.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP 2011 | GROUP 2010 |
|---|---|---|
| **9. EARNINGS PER SHARE** | | |
| Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year. | | |
| Headline earnings (R million) (refer note 11) | 7 302 | 5 186 |
| Headline earnings from continuing operations (R million) | 6 048 | 5 128 |
| Headline earnings from discontinued operations (R million) | 1 254 | 58 |
| Weighted average number of ordinary shares in issue (million) | 348 | 347 |
| Headline earnings per share (cents) | 2 098 | 1 495 |
| Headline earnings per share from continuing operations (cents) | 1 738 | 1 478 |
| Headline earnings per share from discontinued operations (cents) | 360 | 17 |
| For the diluted headline earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet released options under the Management Share Scheme or other equity compensation instruments, net of shares held by the Scheme for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue. | | |
| Weighted average number for diluted headline earnings per share (million) | 353 | 361 |
| Weighted average number of ordinary shares in issue (million) as calculated above | 348 | 347 |
| Adjusted for options and net purchased shares in terms of the Management Share Scheme (million) | 5 | 14 |
| Diluted headline earnings per share (cents) | 2 069 | 1 437 |
| Diluted headline earnings per share from continuing operations (cents) | 1 714 | 1 421 |
| Diluted headline earnings per share from discontinued operations (cents) | 355 | 16 |
| Basic attributable earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. | | |
| Profit for the year attributable to equity holders of the parent (R million) | 7 653 | 5 208 |
| Profit for the year from continuing operations attributable to equity holders of the parent (R million) | 6 073 | 5 167 |
| Profit for the year from discontinued operations attributable to equity holders of the parent (R million) | 1 580 | 41 |
| Weighted average number of ordinary shares in issue (million) | 348 | 347 |
| Basic earnings per share (cents) | 2 199 | 1 501 |
| Basic earnings per share from continuing operations (cents) | 1 745 | 1 489 |
| Basic earning per share from discontinued operations (cents) | 454 | 12 |
| For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above. | 353 | 361 |
| Diluted earnings per share (cents) | 2 168 | 1 443 |
| Diluted earnings per share from continuing operations (cents) | 1 720 | 1 432 |
| Diluted earnings per share from discontinued operations (cents) | 448 | 11 |

For the 2011 and 2010 financial years, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price attached to the option shares was lower than the average market price.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | Rm | Rm | Rm | Rm |
| **10. DIVIDEND** | | | | |
| Dividends paid during the year: | | | | |
| Cash dividends | 2 217 | 1 056 | 2 150 | 1 073 |
| Paid to minorities | 6 | | | |
| | 2 223 | 1 056 | 2 150 | 1 073 |

STC on these dividends amounts to nil (2010: nil) after taking into account STC credits.

## 11. RECONCILIATION OF GROUP HEADLINE EARNINGS

| | For the year ended 31 December 2011 | | |
|---|---|---|---|
| | Gross | Tax | Net |
| | Rm | Rm | Rm |
| Profit for the year attributable to owners of the parent | | | 7 653 |
| Adjusted for: | | | |
| – Impairment of property, plant and equipment | 516 | | 516 |
| – Losses on disposal of property, plant and equipment | 3 | (2) | 1 |
| – Reversal of impairment of property, plant and equipment | (869) | | (869) |
| – Gains on disposal of subsidiaries | (1) | | (1) |
| – Share of associates' gains or losses on disposal of property, plant and equipment | 2 | | 2 |
| **HEADLINE EARNINGS** | (349) | (2) | 7 302 |
| **Headline earnings from continuing operations** | (34) | 9 | 6 048 |
| **Headline earnings from discontinued operations** | (315) | (11) | 1 254 |

| | For the year ended 31 December 2010 | | |
|---|---|---|---|
| | Gross | Tax | Net |
| | Rm | Rm | Rm |
| Profit for the year attributable to owners of the parent | | | 5 208 |
| Adjusted for: | | | |
| – Impairment of property, plant and equipment | 4 | (1) | 3 |
| – Gains or losses on disposal of property, plant and equipment | (26) | | (26) |
| – Share of associates' gains or losses on disposal of property, plant and equipment | 1 | | 1 |
| **HEADLINE EARNINGS** | (21) | (1) | 5 186 |
| **Headline earnings from continuing operations** | (39) | | 5 128 |
| **Headline earnings from discontinued operations** | 18 | (1) | 58 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 11. RECONCILIATION OF GROUP HEADLINE EARNINGS (continued)
### GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER 2011

| HEADLINE EARNINGS PER SHARE (Refer note 9) | 2011 cents | 2010 cents |
|---|---|---|
| Headline earnings per share from continuing operations (cents) | | |
| – basic | 1 738 | 1 478 |
| – diluted | 1 714 | 1 421 |
| Headline earnings per share from discontinued operations (cents) | | |
| – basic | 360 | 17 |
| – diluted | 355 | 16 |
| Aggregate headline earnings per share (cents) | | |
| – basic | 2 098 | 1 495 |
| – diluted | 2 069 | 1 437 |

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings Rm | Mineral properties Rm | Residential land and buildings Rm | Buildings and infra-structure Rm | Machinery, plant and equipment Rm | Site preparation, mining development, exploration and rehabilitation Rm | Extensions under construction Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **2011** | | | | | | | | |
| **Gross carrying amount** | | | | | | | | |
| At beginning of year | 728 | 2 559 | 174 | 2 998 | 13 503 | 1 072 | 2 214 | 23 248 |
| Additions | 16 | | 5 | 126 | 987 | 7 | 3 785 | 4 926 |
| Changes in decommissioning assets | | | 2 | 3 | 61 | 8 | 24 | 98 |
| Disposals of items of property, plant and equipment | | | | (23) | (768) | (9) | (5) | (805) |
| Reclassification to non-current assets classified as held-for-sale | (150) | (864) | (119) | (1 894) | (8 513) | (827) | (371) | (12 738) |
| Exchange differences on translation | 9 | 97 | | 74 | 660 | 101 | 38 | 979 |
| Other movements | | | 1 | 82 | 179 | 2 | (294) | (30) |
| At end of year | 603 | 1 792 | 63 | 1 366 | 6 109 | 354 | 5 391 | 15 678 |
| **Accumulated depreciation** | | | | | | | | |
| At beginning of year | 28 | 961 | 53 | 997 | 5 305 | 449 | | 7 793 |
| Depreciation charges | 14 | 162 | 5 | 102 | 846 | 49 | 6 | 1 184 |
| Disposals of items of property, plant and equipment | | | | (13) | (231) | (9) | | (253) |
| Transfer of accumulated depreciation on impairment reversals | | | | 139 | 423 | 6 | | 568 |
| Reclassification to non-current assets classified as held-for-sale | (31) | (321) | (9) | (817) | (3 745) | (384) | | (5 307) |
| Exchange differences on translation | | 45 | | 53 | 331 | 54 | | 483 |
| Other movements | | | | (1) | (1) | 1 | | (1) |
| At end of year | 11 | 847 | 49 | 460 | 2 928 | 166 | 6 | 4 467 |

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land and buildings Rm | Mineral properties Rm | Residential land and buildings Rm | Buildings and infra-structure Rm | Machinery, plant and equipment Rm | Site preparation, mining development, exploration and rehabilitation Rm | Extensions under construction Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| **Impairment of assets** | | | | | | | | |
| At beginning of year | | 6 | | 655 | 1 345 | 142 | 2 | 2 150 |
| Impairment reversals (refer note 4) | | | | (210) | (651) | (8) | | (869) |
| Impairment charges (refer note 4) | 1 | | | 48 | 447 | | 20 | 516 |
| Disposals of items of property, plant and equipment | | | | | (51) | | (2) | (53) |
| Transfer of accumulated depreciation on impairment reversals | | | | (139) | (423) | (6) | | (568) |
| Reclassification to non-current assets classified as held-for-sale | | (6) | | (306) | (220) | (128) | | (660) |
| At end of year | 1 | | | 48 | 447 | | 20 | 516 |
| **Net carrying amount at end of year** | 591 | 945 | 14 | 858 | 2 734 | 188 | 5 365 | 10 695 |
| **GROUP** | | | | | | | | |
| **2010** | | | | | | | | |
| **Gross carrying amount** | | | | | | | | |
| At beginning of year | 562 | 2 640 | 180 | 2 969 | 11 809 | 972 | 1 591 | 20 723 |
| Additions | 20 | | 1 | 67 | 823 | 17 | 1 749 | 2 677 |
| Changes in decommissioning assets | | | 1 | 11 | 42 | 66 | | 120 |
| Disposals of items of property, plant and equipment | | | (1) | (29) | (311) | | | (341) |
| Exchange differences on translation | | 6 | | 5 | 35 | 7 | 10 | 63 |
| Other movements | 146 | (87) | (7) | (25) | 1 105 | 10 | (1 136) | 6 |
| At end of year | 728 | 2 559 | 174 | 2 998 | 13 503 | 1 072 | 2 214 | 23 248 |
| **Accumulated depreciation** | | | | | | | | |
| At beginning of year | 20 | 765 | 48 | 856 | 4 542 | 395 | | 6 626 |
| Depreciation charges | 16 | 185 | 6 | 151 | 960 | 49 | | 1 367 |
| Accumulated depreciation on disposals of items of property, plant and equipment | | | (1) | (13) | (215) | | | (229) |
| Exchange differences on translation | | 3 | | 3 | 20 | 3 | | 29 |
| Other movements | (8) | 8 | | | (2) | 2 | | |
| At end of year | 28 | 961 | 53 | 997 | 5 305 | 449 | | 7 793 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land and buildings Rm | Mineral properties Rm | Residential land and buildings Rm | Buildings and infra-structure Rm | Machinery, plant and equipment Rm | Site preparation, mining development, exploration and rehabilitation Rm | Extensions under construction Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| **Impairment of assets** | | | | | | | | |
| At beginning of year | | 6 | | 672 | 1 406 | 142 | 2 | 2 228 |
| Disposals of items of property, plant and equipment | | | | (17) | (61) | | | (78) |
| At end of year | | 6 | | 655 | 1 345 | 142 | 2 | 2 150 |
| **Net carrying amount at end of year** | 700 | 1 592 | 121 | 1 346 | 6 853 | 481 | 2 212 | 13 305 |

| The net carrying amount of machinery, plant and equipment includes: | 2011 Rm | 2010 Rm |
|---|---|---|
| Assets held under finance leases (refer note 22) | | |
| – cost | 264 | 196 |
| – accumulated depreciation | (121) | (112) |
| | 143 | 84 |

For details of property, plant and equipment pledged as security refer to annexure 1.

A register of land and buildings is available for inspection at the registered office of the company.

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Buildings and infrastructure Rm | Machinery, plant and equipment Rm | Extensions under construction Rm | Total Rm |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2011** | | | | |
| **Gross carrying amount** | | | | |
| At beginning of year | 10 | 248 | 119 | 377 |
| Additions | | 15 | 275 | 290 |
| Transfer between classes | 1 | 42 | (43) | |
| At end of year | 11 | 305 | 351 | 667 |
| **Accumulated depreciation** | | | | |
| At beginning of year | 3 | 108 | | 111 |
| Depreciation charges | | 48 | | 48 |
| At end of year | 3 | 156 | | 159 |
| **Net carrying amount at end of year** | 8 | 149 | 351 | 508 |
| **2010** | | | | |
| **Gross carrying amount** | | | | |
| At beginning of year | 12 | 215 | 87 | 314 |
| Additions | | 15 | 53 | 68 |
| Disposals of items of property, plant and equipment | (2) | (3) | | (5) |
| Transfer between classes | | 21 | (21) | |
| At end of year | 10 | 248 | 119 | 377 |
| **Accumulated depreciation** | | | | |
| At beginning of year | 5 | 69 | | 74 |
| Depreciation charges | | 41 | | 41 |
| Disposals of items of property, plant and equipment | (2) | (2) | | (4) |
| At end of year | 3 | 108 | | 111 |
| **Net carrying amount at end of year** | 7 | 140 | 119 | 266 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | Plantation Rm | Livestock Rm | Game Rm | Total Rm |
|---|---|---|---|---|
| **13. BIOLOGICAL ASSETS** | | | | |
| **GROUP** | | | | |
| **2011** | | | | |
| **Carrying amount** | | | | |
| At beginning of year | **8** | **7** | **31** | **46** |
| Gains attributable to physical and price changes | **12** | **6** | **5** | **23** |
| Net reclassification to inventory | **(2)** | **(2)** | **1** | **(3)** |
| At end of year | **18** | **11** | **37** | **66** |
| Fair value of biological assets can be split as follows: | | | | |
| – mature | **16** | **11** | **37** | **64** |
| – immature | **2** | | | **2** |
| | **18** | **11** | **37** | **66** |
| The plantation was valued by Mr Johannes Bezuidenhout an independent appraiser, on 27 December 2011. | | | | |
| **2010** | | | | |
| **Carrying amount** | | | | |
| At beginning of year | 7 | 7 | 27 | 41 |
| Gains attributable to physical and price changes | 1 | 4 | 5 | 10 |
| Net reclassification to inventory | | (4) | (1) | (5) |
| At end of year | 8 | 7 | 31 | 46 |
| Fair value of biological assets can be split as follows: | | | | |
| – mature | 4 | 7 | 31 | 42 |
| – immature | 4 | | | 4 |
| | 8 | 7 | 31 | 46 |

| | 2011 | 2010 |
|---|---|---|
| Closing stock consist of: | | |
| Plantation (ha)[1] | **1 009** | 1 081 |
| Livestock – cattle (quantity) | **2 613** | 2 482 |
| – horses (quantity) | **33** | 15 |
| Game[2] | **4 699** | 4 685 |

*1 Plantations consist of wattle and blue gum trees*
*2 Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.*

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **14. INTANGIBLE ASSETS** | | | | |
| **Patents, licences and franchises** | | | | |
| **Gross carrying amount** | | | | |
| At beginning of year | 145 | 143 | 19 | 19 |
| Additions | 164 | | 59 | |
| Transfer to non-current assets held-for-sale | (193) | | | |
| Transfers from other assets | 22 | | | |
| Exchange differences | 30 | 2 | | |
| At end of year | 168 | 145 | 78 | 19 |
| **Accumulated amortisation** | | | | |
| At beginning of year | 70 | 56 | 19 | 9 |
| Transfer to non-current assets held-for-sale | (61) | | | |
| Amortisation charge | 19 | 13 | 16 | 9 |
| Exchange differences | 12 | 1 | | |
| At end of year | 40 | 70 | 35 | 18 |
| **Net carrying amount at end of year** | 128 | 75 | 43 | 1 |
| All intangible assets have finite useful lives and are amortised on a straight-line basis over their respective useful lives. | | | | |
| **15. INVESTMENTS IN UNLISTED ASSOCIATES** | | | | |
| **ASSOCIATED COMPANIES (Unlisted)** | 4 764 | 3 880 | | |

Refer to annexure 2 for market and directors' valuations of investments.

| | ASSOCIATE COMPANIES Investments Rm | Loans[1] Rm | Total Rm |
|---|---|---|---|
| **2011** | | | |
| **GROUP** | | | |
| At beginning of year | 3 662 | 218 | 3 880 |
| Net share of results | 4 666 | | 4 666 |
| – Per statement of comprehensive income | 4 668 | | 4 668 |
| – Elimination of intergroup profits | (2) | | (2) |
| Dividends paid | (3 516) | | (3 516) |
| Exchange difference | 39 | | 39 |
| Share of reserve movements | (305) | | (305) |
| **At end of year (refer annexure 2)** | 4 546 | 218 | 4 764 |

*1 These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceeds its liabilities.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | ASSOCIATE COMPANIES | | |
|---|---|---|---|
| | Investments Rm | Loans[1] Rm | Total Rm |
| **15. INVESTMENTS IN UNLISTED ASSOCIATES (continued)** | | | |
| **2010** | | | |
| **GROUP** | | | |
| At beginning of year | 1 810 | 155 | 1 965 |
| Net share of results | 3 655 | 63 | 3 718 |
| – Per statement of comprehensive income | 3 654 | 63 | 3 717 |
| – Elimination of intergroup profits | 1 | | 1 |
| Dividends paid | (1 815) | | (1 815) |
| Exchange difference | (12) | | (12) |
| Share of reserve movements | 24 | | 24 |
| At end of year (refer annexure 2) | 3 662 | 218 | 3 880 |

1 *These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceeds its liabilities. The net share of results arises from the recoupment of previous impairments by way of current trading income.*

| | COMPANY | |
|---|---|---|
| | **2011 Rm** | 2010 Rm |
| **16. INVESTMENTS IN SUBSIDIARIES** | | |
| Shares at cost less impairment losses (refer annexure 3) | **1 166** | 3 290 |
| Indebtedness | | |
| – by subsidiaries | **11 298** | 10 745 |
| – to subsidiaries | **(123)** | (97) |
| **Total (refer annexure 3)** | **11 175** | 10 648 |
| *Less:* Current portion included in trade and other receivables (refer note 19) | **(9 192)** | (8 018) |
| *Add:* Current portion included in trade and other payables (refer note 26) | **123** | 97 |
| Non-current portion | **2 106** | 2 727 |
| | **3 272** | 6 017 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Rm** | Rm | **Rm** | Rm |
| **17. FINANCIAL ASSETS** | | | | |
| Environmental Rehabilitation Trust asset | **453** | 522 | **14** | 12 |
| Long-term receivables | **722** | 477 | | |
| Investments (refer annexure 2)[1] | **363** | 376 | | |
| | **1 538** | 1 375 | **14** | 12 |
| Included in non-current assets classified as held-for-sale (refer note 20): | | | | |
| Environmental Rehabilitation Trust asset | **156** | 17 | | |
| Investments | **2** | | | |
| | **158** | 17 | | |
| | **1 696** | 1 392 | **14** | 12 |

Refer to note 29 on financial instruments.

*1 Mainly includes the investment in Richards Bay Coal Terminal (RBCT).*

| | GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | **Rm** | Rm |
| **18. INVENTORIES** | | |
| Finished products | **293** | 1 312 |
| Work-in-progress | **32** | 671 |
| Raw materials | **5** | 586 |
| Plant spares and stores | **252** | 544 |
| Merchandise | **7** | 7 |
| | **589** | 3 120 |
| Included in non-current assets classified as held-for-sale (refer note 20) | **2 404** | 8 |
| | **2 993** | 3 128 |

The 2010 inventories include inventories relating to Exxaro Sands (Pty) Limited and Rosh Pinah Zinc Corporation (Pty) Limited which might be sold or utilised in production over more than 12 months. Included in merchandise are biological assets held-for-sale classified as inventories. Inventory sold in which delivery is delayed at the buyer's request, but the buyer takes title amounted to Rnil million in both 2011 and 2010. No inventories were pledged as security for liabilities in both 2011 and 2010.

Inventory carried at net realisable value (NRV) amounts to R7 million (2010: R184 million) for continuing operations, and R99 million (2010: R566 million) for discontinued operations.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **19. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | 1 791 | 2 554 | | |
| Other receivables | 229 | 209 | 57 | 38 |
| Indebtedness by subsidiaries (refer note 16) | | | 9 192 | 8 018 |
| Indebtedness by subsidiaries | | | 12 050 | 11 298 |
| Specific allowances for impairment | | | (2 858) | (3 280) |
| Derivative financial instruments (refer note 29.1) | 49 | 192 | | |
| Non-financial Instruments[1] | 729 | 848 | 2 | 2 |
| Specific allowances for impairment | (33) | (50) | (3) | (4) |
| Collective allowances for impairment | (2) | (1) | | |
| | 2 763 | 3 752 | 9 248 | 8 054 |
| Included in non-current assets classified as held-for-sale (refer note 20) | 1 931 | 22 | | |
| Trade and other receivables | 1 578 | 22 | | |
| Other receivables | 36 | | | |
| Derivative financial instruments | 9 | | | |
| Non-financial instruments[1] | 308 | | | |
| | 4 694 | 3 774 | 9 248 | 8 054 |
| Trade receivables are stated after the following allowances for impairment: | | | | |
| **Specific allowances for impairment** | | | | |
| At beginning of year | (50) | (221) | (3 284) | (3 274) |
| Impairment loss recognised | (20) | (45) | | (3) |
| Indebtedness by subsidiaries impairments | | | (519) | (23) |
| Indebtedness by subsidiaries reversals | | | 941 | 16 |
| Impairment loss reversals | 37 | 216 | 1 | |
| At end of year | (33) | (50) | (2 861) | (3 284) |
| *Of which relates to:* | | | | |
| Trade receivables | (29) | (3) | | |
| Other receivables | (4) | (47) | (3) | (4) |
| Subsidiaries | | | (2 858) | (3 280) |
| | (33) | (50) | (2 861) | (3 284) |
| **Collective allowances for impairment** | | | | |
| At beginning of year | (1) | (1) | | |
| Impairment loss recognised | (1) | | | |
| At end of year | (2) | (1) | | |
| *Of which relates to:* | | | | |
| Trade receivables | (2) | (1) | | |
| | (2) | (1) | | |

For a detailed analysis of the trade and other receivables refer to note 29 on financial instruments.

1 *Includes VAT refundable, prepayments, employee advances, etc.*

## 20. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

### Mineral Sands operations

On 26 September 2011, Exxaro advised its shareholders that it reached an agreement with Tronox Incorporated, an international pigment company based in the United States, with respect to a proposed transaction, which entails the combination of Exxaro's Mineral Sands operations with the businesses of New Tronox Incorporated (New Tronox) under a newly-formed Australian holding company.

Exxaro will dispose of the Exxaro Mineral Sands operations in exchange for Tronox shares representing approximately 38,5% of the shares in New Tronox. Exxaro will retain a direct 26% shareholding in each of the South African Mineral Sands operations in order to comply with the requirement of the Mineral and Petroleum Resources Development Act, 28 of 2002 and the Broad-Based Socio-economic Empowerment Charter of the South African Mining end Minerals Industry.

The proposed transaction will be subject to the fulfilment of certain conditions precedent subject to a once off extension in limited circumstances to 30 September 2012. The conditions precedent includes all required regulatory approvals being obtained.

The investment in the Mineral Sands operations, which represents the full Mineral Sands operations, meets the criteria to be classified as a discontinued operation.

### Base Metals operations

On 15 December 2011, Exxaro announced that it has entered into an agreement relating to the disposal of its entire 50,04% shareholding in, and claims against, Rosh Pinah Zinc Corporation to a wholly-owned subsidiary of Glencore International AG. The investment in Rosh Pinah Zinc Corporation, which represents a major part of the Base Metals segment, meets the criteria to be classified as a discontinued operation.

The assets and liabilities for the operations classified as held-for-sale at the reporting dates are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **Assets** | | | | |
| Property, plant and equipment | **6 771** | 34 | | |
| Intangible assets | **132** | | | |
| Investments in subsidiaries | | | **3 676** | 10 |
| Deferred tax | **465** | | | |
| Financial assets | **158** | 21 | | |
| Inventories (refer note 18) | **2 404** | 8 | | |
| Trade and other receivables (refer note 19) | **1 931** | 22 | | |
| Trade receivables | **1 578** | 22 | | |
| Other receivables | **36** | | | |
| Derivative financial instruments | **9** | | | |
| Non-financial instrument receivables[1] | **308** | | | |
| Current tax receivable | **18** | | | |
| Cash and cash equivalents | **3 100** | | | |
| | **14 979** | 85 | **3 676** | 10 |

1 *Includes VAT refundable, prepayments, employee advances, etc.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **20. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (continued)** | | | | |
| **Liabilities** | | | | |
| Non-current interest bearing borrowings (refer note 22) | (551) | | | |
| Non-current provisions | (682) | (29) | | |
| Deferred tax | (69) | (8) | | |
| Trade and other payables (refer note 26) | (967) | (14) | | |
| Trade payables | (487) | (14) | | |
| Other payables | (135) | | | |
| Derivative financial instruments | (106) | | | |
| Non-financial instrument payables[1] | (239) | | | |
| Current interest bearing borrowings (refer note 22) | (283) | | | |
| Current tax payable | (2) | (1) | | |
| Current provisions (refer note 23) | (10) | | | |
| | (2 564) | (52) | | |
| Total at end of year | 12 414 | 33 | 3 676 | 10 |

1 *Includes VAT refundable, prepayments, employee advances, etc.*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **21. SHARE CAPITAL** | | | | |
| **Share capital at par value** | | | | |
| *Authorised* | | | | |
| 500 000 000 ordinary shares of R0,01 each | 5 | 5 | 5 | 5 |
| *Issued* | | | | |
| 354 234 548 (2010: 358 089 230) ordinary shares of R0,01 each | 4 | 4 | 4 | 4 |
| Share premium | 2 358 | 2 343 | 2 358 | 2 343 |
| Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (Mpower) | (3) | (177) | | |
| **Total** | 2 359 | 2 170 | 2 362 | 2 347 |
| Refer to statement of changes in equity (113 to 114) for details of movements | | | | |
| **Reconciliation of authorised shares not issued (million)** | | | | |
| Number of authorised unissued ordinary shares at beginning of year | 142 | 143 | 142 | 143 |
| Number of shares repurchased during the year | 4 | | 4 | |
| Number of shares issued during the year | (1) | (1) | (1) | (1) |
| Number of unissued authorised shares at end of year | 145 | 142 | 145 | 142 |

**21. SHARE CAPITAL (continued)**

The following resolutions pertain to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting:

**21.1 Control of authorised but unissued shares**

The authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act 71 of 2008, as amended, clause 3.2 of the memorandum of incorporation of the company and the JSE Listings Requirements. The issuing of shares granted under this authority will be at their discretion until the next annual general meeting of the company, after setting aside so many shares as may be required, to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes."

**21.2 General authority to issue shares for cash**

The directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.2 of the memorandum of incorporation of the company, the Companies Act 71 of 2008, as amended, and the JSE Listings Requirements, when applicable and with the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees;
- the number of shares issued for cash shall not in the aggregate in the current financial year exceed 10% (ten per cent) of the company's issued share capital of ordinary shares (for purposes of determining the securities comprising the 10% (ten per cent) number in any one year, account must be taken of the dilution effect, in the year of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities). The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year (or to be issued arising from options or convertible securities issued), provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were shares in issue at the date of application;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
- the maximum discount permitted at which equity securities may be issued is 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities.

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting."

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 21. SHARE CAPITAL (continued)

### 21.3 General authority to repurchase shares

Subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 36 of the memorandum of incorporation of the company, the directors be and are hereby authorised at their discretion to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company, provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 5% (five per cent) of the ordinary shares in issue at the date on which this resolution is passed;
- this must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 (fifteen) months after the date on which this resolution is passed; and
- the price paid per ordinary share may not be greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made.

The reason for and effect of this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At present, the directors have no specific intention to utilise this authority which will only be used if circumstances are appropriate. The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after such repurchases the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2011, will be in excess of the consolidated liabilities of the company and the group immediately following such purchase or 12 months after the date of the notice of annual general meeting, whichever is the later;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting or a period of 12 months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later;
- the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of the notice of the annual general meeting of the company;
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of this notice;
- a resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the requirements contained in schedule 25 of the JSE Listings Requirements are complied with;
- the company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- when the company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company at any time only appoints one agent to effect any repurchase(s) on its behalf; and
- the company undertakes that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE in accordance with schedule 25 of the JSE Listings Requirements."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 2.

## 22. INTEREST-BEARING BORROWINGS

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **Non-current borrowings** | | | | |
| Summary of loans by financial year of redemption | | | | |
| 2011 | | 716 | | 417 |
| 2012 | 930 | 856 | 617 | 617 |
| 2013 | 1 912 | 1 865 | 1 701 | 1 701 |
| 2014 | 327 | 296 | 200 | 200 |
| 2015 | 315 | 285 | 200 | 200 |
| 2016 | 102 | 61 | | |
| 2017 onwards | 97 | 281 | | |
| Total non-current borrowings (refer annexure 1) | 3 683 | 4 360 | 2 718 | 3 135 |
| Current portion included in current liabilities | (647) | (716) | (617) | (417) |
| Transfer to non-current liabilities classified as held-for-sale | (834) | | | |
| – Non-current borrowings (refer note 20) | (551) | | | |
| – Current borrowings (refer note 20) | (283) | | | |
| **Total** | 2 202 | 3 644 | 2 101 | 2 718 |
| **Current borrowings** | | | | |
| Current portion of non-current borrowings | 647 | 716 | 617 | 417 |
| Short-term borrowings | 219 | | 219 | |
| **Total** | 866 | 716 | 836 | 417 |

Details of interest rates payable on borrowings are shown in annexure 1.

Included in the above interest-bearing borrowings are obligations relating to finance leases including those classified as non-current liabilities held-for-sale (refer note 20). Details are:

| | GROUP 2011 Rm | GROUP 2010 Rm |
|---|---|---|
| Minimum lease payments: | | |
| – up to one year | 47 | 66 |
| – more than one year and up to five years | 143 | 262 |
| – more than five years | 333 | 3 230 |
| **Total** | 523 | 3 558 |
| *Less:* Future finance charges | 334 | 3 290 |
| Present value of lease liabilities | 189 | 268 |
| Representing lease liabilities: | | |
| – current (up to one year) | 21 | 5 |
| – non-current (more than one year and up to five years) | 53 | 10 |
| – non-current (more than five years) | 115 | 253 |
| **Total** | 189 | 268 |
| Continued operations | | 268 |
| Discontinued operations | 189 | |
| **Total** | 189 | 268 |

Exxaro entered into numerous operating and finance lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods.

Arrangements containing escalation clauses are usually based on CPI or PPI indexes. None of the lease arrangements contain restrictive clauses that are unusual to the particular type of lease.

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 23. PROVISIONS

| | Environmental rehabilitation Rm | Decommissioning Rm | Restructuring Rm | Cash-settled share-based payment Rm | Onerous contract Rm | Total Rm |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2011** | | | | | | |
| At beginning of year | 1 470 | 626 | 30 | 4 | | 2 130 |
| Charge to operating expenses | 233 | (2) | | 1 | 29 | 261 |
| Additional provision | 242 | 3 | | 1 | 29 | 275 |
| Unused amounts reversed | (9) | (5) | | | | (14) |
| Interest adjustment (refer note 5) | 367 | 51 | 8 | | | 426 |
| Provisions capitalised to property, plant and equipment | | 98 | | | | 98 |
| Utilised during year | (18) | | (6) | (1) | | (25) |
| Exchange differences | 15 | 38 | | | | 53 |
| Non-current provisions reclassified to assets held-for-sale | (183) | (433) | | | | (616) |
| At end of year | 1 884 | 378 | 32 | 4 | 29 | 2 327 |
| Current portion included in current liabilities | (115) | | (7) | | (29) | (151) |
| Current provisions reclassified to non-current assets held-for-sale | (10) | | | | | (10) |
| Total non-current provisions | 1 759 | 378 | 25 | 4 | | 2 166 |
| **2010** | | | | | | |
| At beginning of year | 1 323 | 442 | 30 | 5 | | 1 800 |
| Charge to operating expenses | 27 | 7 | | | | 34 |
| Additional provision | 30 | 7 | | | | 37 |
| Unused amounts reversed | (3) | | | | | (3) |
| Interest adjustment (refer note 5) | 134 | 56 | 6 | | | 196 |
| Provisions capitalised to property, plant and equipment | | 120 | | | | 120 |
| Utilised during year | (14) | | (6) | (1) | | (21) |
| Exchange differences | 1 | 1 | | | | 2 |
| Reclassification to non-current assets held-for-sale | (1) | | | | | (1) |
| At end of year | 1 470 | 626 | 30 | 4 | | 2 130 |
| Current portion included in current liabilities | (27) | | (6) | | | (33) |
| Total non-current provisions | 1 443 | 626 | 24 | 4 | | 2 097 |

| | Environ-mental rehabili-tation Rm | Cash-settled share-based payment Rm | Onerous contract Rm | Total Rm |
|---|---|---|---|---|
| **23. PROVISIONS (continued)** | | | | |
| **COMPANY** | | | | |
| **2011** | | | | |
| At beginning of year | 23 | 4 | | 27 |
| Charge to operating expenses | | 1 | 1 | 2 |
| Additional provisions | | 1 | 1 | 2 |
| Interest adjustment (refer note 5) | 1 | | | 1 |
| Utilised during year | | (1) | | (1) |
| At end of year | 24 | 4 | 1 | 29 |
| Total non-current provisions | 24 | 4 | 1 | 29 |
| **2010** | | | | |
| At beginning of year | 23 | 5 | | 28 |
| Charge to operating expenses | (1) | | | (1) |
| Additional provisions | (1) | | | (1) |
| Interest adjustment (refer note 5) | 1 | | | 1 |
| Utilised during year | | (1) | | (1) |
| At end of year | 23 | 4 | | 27 |
| Total non-current provisions | 23 | 4 | | 27 |

**Environmental rehabilitation**
Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events.

Estimates are based on costs that are regularly reviewed and adjusted as appropriate for new circumstances.

**Decommissioning**
The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

**Funding of environmental and decommissioning rehabilitation**
Contributions towards the cost of the mine closure are also made to the Exxaro Environmental Rehabilitation Fund and the balance of the fund amounted to R539 million (2010: R429 million) at year end.

Of this amount R521 million (2010: R422 million) is included in financial assets and R18 million (2010: R7 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

**Restructuring**
The liability includes accruals for plant and facility closures, including the dismantling costs thereof, and employee termination costs, in terms of the announced restructuring plans for the Hlobane and Durnacol mines. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The restructuring for Durnacol mine will be completed within the next six years and for Hlobane mine in the next 16 years.

**Cash-settled share-based payment**
Exxaro offered a cash-settled share-based payment, based on the company's share price performance, to certain individuals who were under an embargo and not entitled to accept share scheme offers, due to their involvement in the empowerment transaction.

**Onerous contract**
A provision has been made with regard to an onerous contract resulting from an undersupply of contractual volumes to a customer in 2011. The undersupply was the result of production related challenges.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | Post-retirement medical obligation Rm | Post-retirement defined benefit obligation Rm | Other post-retirement obligations Rm | Total Rm |
|---|---|---|---|---|
| **24. POST-RETIREMENT EMPLOYEE OBLIGATIONS** | | | | |
| **GROUP** | | | | |
| **2011** | | | | |
| At beginning of year | 89 | 5 | 2 | 96 |
| Additions – charge to operating expenses | 83 | 2 | | 85 |
| Interest adjustment (refer note 5) | 3 | | | 3 |
| Reclassification to non-current assets held-for-sale | (44) | (7) | | (51) |
| Total non-current provisions | 131 | | 2 | 133 |
| **2010** | | | | |
| At beginning of year | 77 | 3 | | 80 |
| Additions – charge to operating expenses | 9 | 2 | 2 | 13 |
| Interest adjustment (refer note 5) | 3 | | | 3 |
| Total non-current provisions | 89 | 5 | 2 | 96 |

**Post-retirement medical obligation**

After the merger with Eyesizwe (Pty) Limited in November 2006 and the successful creation of Exxaro, a post-employment healthcare benefit was identified that had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme and the BHP Billiton SA Medical Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions.

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid upon the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands.

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the statement of comprehensive income. The provision is expected to be utilised over the expected lives of the participants of the scheme.

**Post-retirement defined benefit obligation**

Provision for severance benefits is made in accordance with Namibian law for the Rosh Pinah operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

The provision is expected to be utilised over the expected lives of the participants of scheme.

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **25. DEFERRED TAX** | | | | |
| The movement on the deferred tax account is as follows: | | | | |
| At beginning of year | 627 | 366 | (85) | (87) |
| Foreign currency translation adjustment | (38) | | | |
| Share-based payments movements | (65) | (42) | (35) | (21) |
| Items charged directly to other components of equity | (25) | 115 | | |
| Tax charge to non-distributable reserve | (23) | 38 | | |
| Charges to income statement directly to equity | (2) | 77 | | |
| Transferred to non-current assets held-for-sale | 396 | 1 | | |
| Statement of comprehensive income charge (refer note 7) | | | | |
| - current | 731 | 93 | 1 | 23 |
| - prior | (9) | 94 | 4 | |
| At end of year | 1 617 | 627 | (115) | (85) |
| **Comprising:** | | | | |
| - financial instruments | (236) | (137) | | |
| - provisions | (177) | (60) | (1) | (2) |
| - foreign tax losses carried forward | (122) | (296) | | |
| - bad debt reassessment | (7) | (9) | | |
| - income received in advance | (9) | (7) | | |
| - leave pay accrual | (35) | (43) | (6) | (6) |
| - lease liability | 125 | (75) | | |
| - decommissioning provision | (22) | (22) | | |
| - share-based payments | (79) | (61) | (58) | (35) |
| - hedge premium | (4) | | | |
| - restoration provision | (378) | (300) | (7) | (7) |
| - assessed losses | (456) | (1 247) | (62) | (45) |
| - property, plant and equipment | 2 288 | 1 730 | 14 | 6 |
| - unrealised foreign exchange profit | 146 | 140 | | |
| - derecognition of deferred tax assets | 415 | 833 | | |
| - Exxaro Environmental Rehabilitation Trust asset | 127 | 137 | 5 | 4 |
| - prepayments | 39 | 34 | | |
| - inventories | 2 | 10 | | |
| | 1 617 | 627 | (115) | (85) |
| **CALCULATED TAX LOSSES** | | | | |
| - Tax losses available for set off against future South African taxable income | 1 629 | 4 454 | 221 | 161 |
| - Tax losses available for set off against future foreign taxable income | 436 | 1 082 | | |

The total deferred tax assets raised with regard to assessed losses amount to R163 million (2010: R706 million), and is mainly attributable to the Exxaro Mineral Sands businesses. The total deferred tax assets not raised amount to R678 million (2010: R907 million).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **26. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **905** | 1 085 | **194** | 39 |
| Other payables | **1 248** | 898 | **58** | 54 |
| Non-financial instruments[1] | **963** | 835 | **140** | 155 |
| Leave pay accrual | **141** | 229 | **22** | 21 |
| Indebtedness to subsidiaries (refer note 16) | | | **123** | 97 |
| Derivative financial instruments (refer note 29.1) | **77** | 10 | | |
| | **3 334** | 3 057 | **537** | 366 |
| Included in non-current assets held-for-sale (refer to note 20) | **967** | 14 | | |
| | **4 301** | 3 071 | **537** | 366 |

*1 Includes input VAT and bonus accruals.*

## 27. NOTES TO THE CASH FLOW STATEMENT

### 27.1 Cash generated by/(utilised in) operations

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| Net operating profit/(loss) | **4 381** | 2 636 | **(383)** | (247) |
| Adjusted for non-cash movements | | | | |
| – depreciation and amortisation | **1 204** | 1 380 | **65** | 50 |
| – impairment (reversals)/charges of non-current assets | **(353)** | 4 | **278** | 48 |
| – impairment (reversals)/charges and write-offs of trade and other receivables | **(226)** | 45 | **(422)** | 10 |
| – provisions | **351** | 47 | **1** | (1) |
| – foreign exchange revaluations and fair value adjustments | **226** | (93) | **(7)** | 3 |
| – reconditionable spares usage | **3** | 6 | | |
| – net profit on disposal or scrapping of property, plant and equipment | **(1)** | (32) | | |
| – net loss/(profit) on disposal of investments | **3** | | **(24)** | |
| – contingent rent adjustment | **107** | | | |
| – share-based payment expenses | **51** | 80 | **24** | 26 |
| | **5 746** | 4 073 | **(468)** | (111) |
| Working capital movements | | | | |
| – decrease/(increase) in inventories | **355** | (11) | | |
| – (increase)/decrease in trade and other receivables | **(708)** | (478) | **(1 165)** | 84 |
| – increase in trade and other payables | **1 136** | 543 | **173** | 4 |
| – utilisation of provisions (refer note 23 and 24) | **(26)** | (21) | **(1)** | (1) |
| **Cash generated by/(utilised in) operations** | **6 503** | 4 106 | **(1 461)** | (24) |

### 27.2 NET FINANCING COSTS

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| Net financing costs | **(291)** | (455) | **(122)** | (232) |
| Financing costs not involving cash flow (refer note 23 and 24) | **429** | 199 | **1** | 1 |
| Finance lease interest adjustment | **(232)** | | | |
| | **(94)** | (256) | **(121)** | (231) |

## 27. NOTES TO THE CASH FLOW STATEMENT (continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Rm** | Rm | **Rm** | Rm |
| **27.3 Tax paid** | | | | |
| Amounts (unpaid)/receivable at beginning of year | **(42)** | | | 13 |
| Amounts charged to the statement of comprehensive income | **(388)** | (478) | | (13) |
| Arising on translation of foreign entities | **(1)** | 1 | | |
| Non-current assets classified as held-for-sale | **(16)** | 5 | | |
| Amounts unpaid/(receivable) at end of year | **(55)** | 42 | | |
| | **(502)** | (430) | | |
| **27.4 Dividends paid** | | | | |
| Dividends declared and paid (refer note 10) | **(2 217)** | (1 056) | **(2 150)** | (1 073) |
| Non cash flow dividend in specie | **100** | | | |
| Dividends declared and paid by subsidiaries to minorities (refer note 10) | **(6)** | | | |
| | **(2 123)** | (1 056) | **(2 150)** | (1 073) |
| **27.5 Investments To Maintain Operations** | | | | |
| Replacement of property, plant and equipment | **(1 597)** | (1 109) | **(291)** | (68) |
| Reconditional spares | **(28)** | (46) | | |
| | **(1 625)** | (1155) | **(291)** | (68) |
| **27.6 Investments to expand operations** | | | | |
| Expansion and technology | **(3 301)** | (1 522) | | |
| | **(3 301)** | (1 522) | | |
| **27.7 Investment in other non-current assets** | | | | |
| (Increase)/decrease in investments in subsidiaries | | | **(1 209)** | 606 |
| Increase in non-current financial assets | **(325)** | (149) | | |
| | **(325)** | (149) | **(1 209)** | 606 |
| **27.8 Income from equity-accounted investments** | | | | |
| Income from equity-accounted investments as per statement of comprehensive income | **4 668** | 3 717 | | |
| Dividends received from equity-accounted investments | **3 516** | 1 815 | | |
| Non cash flow income from equity-accounted investments | **(4 668)** | (3 717) | | |
| | **3 516** | 1 815 | | |
| **27.9 Income from investments** | | | | |
| Income from investments as per statement of comprehensive income | **9** | 2 | **3 829** | 3 205 |
| Non cash flow dividends in specie received from subsidiary | | | | (1 000) |
| | **9** | 2 | **3 829** | 2 205 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 27. NOTES TO THE CASH FLOW STATEMENT (continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **27.10 Movement in net debt** | | | | |
| Net cash inflow as per statement of cash flows | 2 472 | 1 415 | | |
| Add: | | | | |
| – shares issued | 15 | 29 | | |
| – share based payments | (2) | | | |
| – loans from non-controlling interests | 11 | 6 | | |
| – investment capitalised to joint venture loan | 21 | | | |
| – finance lease | 125 | | | |
| – non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency | (8) | 187 | | |
| – non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities | (151) | (126) | | |
| **Decrease in net debt** | 2 483 | 1 511 | | |

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Before-tax amount Rm | Tax Rm | Net-of-tax amount Rm | Before-tax amount Rm | Tax Rm | Net-of-tax amount Rm |
| **28. OTHER COMPREHENSIVE INCOME** | | | | | | |
| **GROUP** | | | | | | |
| Exchange differences on translating foreign operations | 798 | 2 | 800 | (6) | (37) | (43) |
| Financial instruments fair value gains/(losses) recognised in equity on cash flow hedges | (82) | 42 | (40) | 305 | (102) | 203 |
| | 716 | 44 | 760 | 299 | (139) | 160 |
| Share of other comprehensive income of associates | (254) | | (254) | 40 | | 40 |
| Minority's share of other comprehensive income | 54 | (19) | 35 | (81) | 24 | (57) |
| | 516 | 25 | 541 | 258 | (115) | 143 |
| **COMPANY** | | | | | | |
| Exchange differences on translating foreign operations | (4) | | (4) | 2 | | 2 |
| | (4) | | (4) | 2 | | 2 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments

The tables below set out the group's and company's classification of each class of financial assets and liabilities, as well as their fair values

| | At fair value through profit and loss | |
|---|---|---|
| | Held-for-trading Rm | Designated Rm |
| **GROUP** | | |
| **2011** | | |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | | |
| Biological assets | | |
| Intangible assets | | |
| Investments in unlisted associates | | |
| Deferred tax | | |
| Financial assets, consisting of: | | 457 |
| – Exxaro Environmental Rehabilitation Trust asset | | 453 |
| – Richards Bay Coal Terminal (RBCT) | | |
| – investment in equity instruments at cost | | 4 |
| – long-term receivables | | |
| Total non-current assets | | 457 |
| **Current assets** | | |
| Inventories | | |
| Trade and other receivables | | |
| Current tax receivable | | |
| Derivative financial instruments | 49 | |
| Cash and cash equivalents | | |
| Total current assets | 49 | |
| **Non-current assets classified as held-for-sale** | 9 | 158 |
| **TOTAL ASSETS** | 58 | 615 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | | |
| Other components of equity | | |
| Retained earnings | | |
| Equity attributable to equity holders of the parent | | |
| Non-controlling interest | | |
| Total equity | | |
| **Non-current liabilities** | | |
| Interest-bearing borrowings | | 100 |
| Non-current provisions | | |
| Post-retirement employee obligations | | |
| Deferred tax | | |
| Total non-current liabilities | | 100 |
| **Current liabilities** | | |
| Trade and other payables | | |
| Derivative financial instruments | 77 | |
| Interest-bearing borrowings | | 30 |
| Current tax payable | | |
| Current provisions | | |
| Total current liabilities | 77 | 30 |
| **Non-current liabilities classified as held-for-sale** | | |
| **TOTAL EQUITY AND LIABILITIES** | 77 | 130 |

| | Loans and receivables at amortised cost Rm | Available-for-sale financial assets at fair value Rm | Financial liabilities at amortised cost Rm | Non-financial assets and liabilities at cost Rm | Total carrying amount Rm | Fair value of financial instruments Rm | Maximum exposure of the carrying amount to credit risk Rm |
|---|---|---|---|---|---|---|---|
| | | | | 10 695 | 10 695 | | |
| | | | | 66 | 66 | | |
| | | | | 128 | 128 | | |
| | | | | 4 764 | 4 764 | | |
| | | | | 228 | 228 | | |
| | 722 | 359 | | | 1 538 | 1 538 | 1 538 |
| | | | | | 453 | 453 | 453 |
| | | 359 | | | 359 | 359 | 359 |
| | | | | | 4 | 4 | 4 |
| | 722 | | | | 722 | 722 | 722 |
| | 722 | 359 | | 15 881 | 17 419 | | |
| | | | | 589 | 589 | | |
| | 1 986 | | | 728 | 2 714 | 1 986 | 1 986 |
| | | | | 105 | 105 | | |
| | | | | | 49 | 49 | 49 |
| | 1 065 | | | | 1 065 | 1 065 | 1 065 |
| | 3 051 | | | 1 422 | 4 522 | | |
| | 4 714 | | | 10 097 | 14 979 | | |
| | 8 488 | 359 | | 27 400 | 36 920 | | |
| | | | | 2 359 | 2 359 | | |
| | | | | 3 202 | 3 202 | | |
| | | | | 18 027 | 18 027 | | |
| | | | | 23 588 | 23 588 | | |
| | | | | 20 | 20 | | |
| | | | | 23 608 | 23 608 | | |
| | | | 2 102 | | 2 202 | 2 202 | |
| | | | | 2 166 | 2 166 | | |
| | | | | 133 | 133 | | |
| | | | | 1 845 | 1 845 | | |
| | | | 2 102 | 4 144 | 6 346 | | |
| | | | 2 153 | 1 104 | 3 257 | 2 153 | |
| | | | | | 77 | 77 | |
| | | | 836 | | 866 | 866 | |
| | | | | 50 | 50 | | |
| | | | | 151 | 151 | | |
| | | | 2 989 | 1 305 | 4 401 | | |
| | | | 1 375 | 1 190 | 2 565 | 1 375 | |
| | | | 6 466 | 30 247 | 36 920 | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

| | At fair value through profit and loss | |
|---|---|---|
| | Held-for-trading Rm | Designated Rm |
| **GROUP** | | |
| **2010** | | |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | | |
| Biological assets | | |
| Intangible assets | | |
| Investments in unlisted associates | | |
| Deferred tax | | |
| Financial assets, consisting of: | | 529 |
| – Exxaro Environmental Rehabilitation Trust asset | | 522 |
| – Richards Bay Coal Terminal (RBCT) | | |
| – Ndzalama game reserve | | 7 |
| – long-term receivables | | |
| Total non-current assets | | 529 |
| **Current assets** | | |
| Inventories | | |
| Trade and other receivables | | |
| Current tax receivable | | |
| Derivative financial instruments | 192 | |
| Cash and cash equivalents | | |
| Total current assets | 192 | |
| **Non-current assets classified as held-for-sale** | | 21 |
| **TOTAL ASSETS** | 192 | 550 |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | | |
| Other components of equity | | |
| Retained earnings | | |
| Equity attributable to equity holders of the parent | | |
| Non-controlling interest | | |
| Total equity | | |
| **Non-current liabilities** | | |
| Interest-bearing borrowings | | 136 |
| Non-current provisions | | |
| Post-retirement employee obligations | | |
| Deferred taxation | | |
| Total financial non-current liabilities | | 136 |
| **Current liabilities** | | |
| Trade and other payables | | |
| Derivative financial instruments | 10 | |
| Interest-bearing borrowings | | 28 |
| Current tax payable | | |
| Current provisions | | |
| Total current liabilities | 10 | 28 |
| **Non-current liabilities classified as held-for-sale** | | |
| **TOTAL EQUITY AND LIABILITIES** | 10 | 164 |

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R130 million (2010: R163 million) have been designated at fair value through profit and loss.

The carrying amount of the financial liabilities designated at fair value through profit and loss at 31 December 2011 was the same as the contractual amount at maturity date for the year ended 31 December 2011 and 31 December 2010.

| Loans and receivables at amortised cost Rm | Available-for-sale financial assets at fair value Rm | Financial liabilities at amortised cost Rm | Non-financial assets and liabilities at cost Rm | Total carrying amount Rm | Fair value of financial instruments Rm | Maximum exposure of the carrying amount to credit risk Rm |
|---|---|---|---|---|---|---|
| | | | 13 305 | 13 305 | | |
| | | | 46 | 46 | | |
| | | | 75 | 75 | | |
| | | | 3 880 | 3 880 | | |
| | | | 726 | 726 | | |
| 477 | 369 | | | 1 375 | 1 375 | 1 375 |
| | | | | 522 | 522 | 522 |
| | 369 | | | 369 | 369 | 369 |
| | | | | 7 | 7 | 7 |
| 477 | | | | 477 | 477 | 477 |
| 477 | 369 | | 18 032 | 19 407 | | |
| | | | 3 120 | 3 120 | | |
| 2 712 | | | 848 | 3 560 | 2 712 | |
| | | | 105 | 105 | | |
| | | | | 192 | 192 | 192 |
| 2 140 | | | | 2 140 | 2 140 | 2 140 |
| 4 852 | | | 4 073 | 9 117 | | |
| 22 | | | 43 | 85 | 42 | 42 |
| 5 351 | 369 | | 22 148 | 28 609 | | |
| | | | 2 170 | 2 170 | | |
| | | | 2 321 | 2 321 | | |
| | | | 12 946 | 12 946 | | |
| | | | 17 437 | 17 437 | | |
| | | | (23) | (23) | | |
| | | | 17 414 | 17 414 | | |
| | | 3 307 | 201 | 3 644 | 3 443 | |
| | | | 2 097 | 2 097 | | |
| | | | 96 | 96 | | |
| | | | 1 353 | 1 353 | | |
| | | 3 307 | 3 747 | 7 190 | | |
| | | 1 983 | 1 064 | 3 047 | 1 983 | |
| | | | | 10 | 10 | |
| | | 622 | 66 | 716 | 650 | |
| | | | 147 | 147 | | |
| | | | 33 | 33 | | |
| | | 2 605 | 1 310 | 3 953 | | |
| | | 14 | 38 | 52 | 14 | |
| | | 5 926 | 22 509 | 28 609 | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

| | Designated at fair value through profit and loss Rm | Loans and receivables at amortised cost Rm | Financial liabilities at amortised cost Rm | Non-financial assets and liabilities at cost Rm | Total carrying amount Rm | Fair value of financial instruments Rm | Maximum exposure of the carrying amount to credit risk Rm |
|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | |
| **2011** | | | | | | | |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | | | 508 | 508 | | |
| Intangible assets | | | | 43 | 43 | | |
| Investments in subsidiaries | | 2 105 | | 1 167 | 3 272 | 2 105 | 2 105 |
| Deferred tax | | | | 115 | 115 | | |
| Financial assets, consisting of: | 14 | | | | 14 | 14 | 14 |
| – Exxaro Environmental Rehabilitation Trust asset | 14 | | | | 14 | 14 | 14 |
| Total non-current assets | 14 | 2 105 | | 1 833 | 3 952 | | |
| **Current assets** | | | | | | | |
| Trade and other receivables | | 9 245 | | 2 | 9 247 | 9 245 | 9 245 |
| Cash and cash equivalents | | 29 | | | 29 | 29 | 29 |
| Total current assets | | 9 274 | | 2 | 9 276 | | |
| **Non-current assets classified as held-for-sale** | | | | 3 676 | 3 676 | | |
| **TOTAL ASSETS** | 14 | 11 379 | | 5 511 | 16 904 | | |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Capital and reserves** | | | | | | | |
| Share capital | | | | 2 362 | 2 362 | | |
| Other components of equity | | | | 1 214 | 1 214 | | |
| Retained earnings | | | | 9 825 | 9 825 | | |
| Total equity | | | | 13 401 | 13 401 | | |
| **Non-current liabilities** | | | | | | | |
| Interest-bearing borrowings | | | 2 101 | | 2 101 | 2 101 | |
| Non-current provisions | | | | 29 | 29 | | |
| Total financial non-current liabilities | | | 2 101 | 29 | 2 130 | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | | | 374 | 163 | 537 | 374 | |
| Interest-bearing borrowings | | | 836 | | 836 | 836 | |
| Total current liabilities | | | 1 210 | 163 | 1 373 | | |
| **TOTAL EQUITY AND LIABILITIES** | | | 3 311 | 13 593 | 16 904 | | |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

| | Designated at fair value through profit and loss Rm | Loans and receivables at amortised cost Rm | Financial liabilities at amortised cost Rm | Non-financial assets and liabilities at cost Rm | Total carrying amount Rm | Fair value of financial instruments Rm | Maximum exposure of the carrying amount to credit risk Rm |
|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | |
| **2010** | | | | | | | |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | | | | 266 | 266 | | |
| Intangible assets | | | | 1 | 1 | | |
| Investments in subsidiaries | | 2 726 | | 3 291 | 6 017 | 2 726 | 2 726 |
| Deferred tax | | | | 85 | 85 | | |
| Financial assets, consisting of: | 12 | | | | 12 | 12 | 12 |
| – Exxaro Environmental Rehabilitation Trust asset | 12 | | | | 12 | 12 | 12 |
| Total non-current assets | 12 | 2 726 | | 3 643 | 6 381 | | |
| **Current assets** | | | | | | | |
| Trade and other receivables | | 8 052 | | 2 | 8 054 | 8 052 | 8 052 |
| Cash and cash equivalents | | 1 229 | | | 1 229 | 1 229 | 1 229 |
| Total current assets | | 9 281 | | 2 | 9 283 | | |
| **Non-current assets classified as held-for-sale** | | | | 10 | 10 | | |
| **TOTAL ASSETS** | 12 | 12 007 | | 3 655 | 15 674 | | |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Capital and reserves** | | | | | | | |
| Share capital | | | | 2 347 | 2 347 | | |
| Other components of equity | | | | 1 143 | 1 143 | | |
| Retained earnings | | | | 8 656 | 8 656 | | |
| Total equity | | | | 12 146 | 12 146 | | |
| **Non-current liabilities** | | | | | | | |
| Interest-bearing borrowings | | | 2 718 | | 2 718 | 2 718 | |
| Non-current provisions | | | | 27 | 27 | | |
| Total financial non-current liabilities | | | 2 718 | 27 | 2 745 | | |
| **Current liabilities** | | | | | | | |
| Trade and other payables | | | 190 | 176 | 366 | 190 | |
| Interest-bearing borrowings | | | 417 | | 417 | 417 | |
| Total current liabilities | | | 607 | 176 | 783 | | |
| **TOTAL EQUITY AND LIABILITIES** | | | 3 325 | 12 349 | 15 674 | | |

As disclosed in the table above, there were no financial liabilities designated at fair value through profit and loss as at 31 December 2011 for the company.

At 31 December 2011 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 31 December 2011 and 2010, the interest bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' Net Present Value (NPV) is calculated using the Nominal Annual Compounding Annually (NACA) rate.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 31 December 2011 or 2010.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

*Fair values*

*Fair value hierarchy level*

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices included in level 1 that are either directly or indirectly observable for the asset/liability

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs)

| Description | Fair value Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2011** | | | | |
| Financial assets held-for-trading at fair value through profit and loss | 58 | | 58 | |
| – Current derivatives financial instruments | 58 | | 58 | |
| Financial assets designated as at fair value through profit and loss | 615 | 613 | | 2 |
| – Exxaro Environmental Rehabilitation Trust asset | 609 | 609 | | |
| – Ndzalama game reserve | 2 | | | 2 |
| – Investment in equity instruments at cost | 4 | 4 | | |
| Available for sale financial assets | 359 | | | 359 |
| – Richards Bay Coal Terminal | 359 | | | 359 |
| Financial liabilities held-for-trading at fair value through profit and loss | (77) | | (77) | |
| – Current derivative financial instruments | (77) | | (77) | |
| Financial liabilities designated as at fair value through profit and loss | (130) | | (130) | |
| – Non-current interest-bearing borrowings | (100) | | (100) | |
| – Current interest-bearing borrowings | (30) | | (30) | |
| **Net financial assets and liabilities held at fair value** | 825 | 613 | (149) | 361 |

| Reconciliation of level 3 hierarchy | Ndzalama game reserve Rm | Richards Bay Coal Terminal Rm |
|---|---|---|
| Opening balance | 7 | 369 |
| Movement during the year | | |
| – Purchases | | 17 |
| – Sales | (5) | |
| – Settlements | | (27) |
| **Closing balance** | 2 | 359 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

| Description | Fair value Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2011** | | | | |
| Financial assets designated as at fair value through profit and loss | | | | |
| – Exxaro Environmental Rehabilitation Trust asset | **14** | **14** | | |
| **GROUP** | | | | |
| **2010** | | | | |
| Financial assets held-for-trading at fair value through profit and loss | 192 | | 192 | |
| – Current derivative financial instruments | 192 | | 192 | |
| Financial assets designated as at fair value through profit and loss | 550 | 543 | | 7 |
| – Exxaro Environmental Rehabilitation Trust asset | 543 | 543 | | |
| – Ndzalama game reserve | 7 | | | 7 |
| Available for sale financial assets | 369 | | | 369 |
| – Richards Bay Coal Terminal | 369 | | | 369 |
| Financial liabilities held-for-trading at fair value through profit and loss | (10) | | (10) | |
| – Current derivative financial instruments | (10) | | (10) | |
| Financial liabilities designated as at fair value through profit and loss | (164) | | (164) | |
| – Non-current interest bearing borrowings | (136) | | (136) | |
| – Current interest-bearing borrowings | (28) | | (28) | |
| Net financial assets and liabilities held at fair value | 937 | 543 | 18 | 376 |

| Reconciliation of level 3 hierarchy | Ndzalama game reserve Rm | Richards Bay Coal Terminal Rm |
|---|---|---|
| Opening balance | 7 | 368 |
| Movement during the year | | |
| – Purchases | | 36 |
| – Transfers out of level 3 | | (35) |
| **Closing balance** | 7 | 369 |

| Description | Fair value Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2010** | | | | |
| Financial assets designated as at fair value through profit and loss | | | | |
| – Exxaro Environmental Rehabilitation Trust asset | 12 | 12 | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

*Fair values*

***Current derivative financial instruments***

Current derivative financial instruments are classified within level 2 of the fair value hierarchy because the fair values are calculated as the present value of the estimated future cash flows based on observable indicators.

***Exxaro Environmental Rehabilitation Trust Fund (EERF)***

The EERF is classified within level 1 of the fair value hierarchy. The EERF received, holds and invests funds contributed by the Exxaro group of companies for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The EERF was created and complies with the requirements of both the Minerals and Petroleum Resources activities.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties.

The funds are invested by Exxaro's inhouse treasury department on the JSE as well as with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

If a mine or exploration project withdraws from the fund for whatever valid reason, the funds accumulated for such mine or exploration project are transferred to a similar fund approved by the Commissioner of South African Revenue Services. The fund cannot be closed down without the permission of the Commissioner of the South African Revenue Services. R114 million (2010: R106 million) of the investments designated at fair value through profit and loss and the EERF are equity investments listed on JSE Limited and fair value of these investments was calculated based on the TOP40 ALSI as at 31 December 2011.

A 2 % increase in the JSE industry average at reporting date would have increased equity by R0,74 million (2010: R0,69 million) after tax; an equal change in the opposite direction would have decreased equity by R0,74 million (2010: R0,69 million). The impact on profit and loss would have been an increase or decrease of R0,74 million (2010: R0,69 million) after tax. The analysis has been performed on the same basis for 2010.

***Ndzalama game reserve***

The Ndzalama game reserve is classified within level 3 as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows based on unobservable inputs.

The investment was classified as held-for-sale during 2011.

***Richards Bay Coal Terminal***

For the financial year ended 31 December 2011, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. Subsequently this investment was classified within level 3 of the fair value hierarchy. RBCT is the largest single export coal terminal in the world and is situated in Richards Bay.

It is a 24-hour operation shipment/export. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Limited and Kumba Resources Limited which was valued at R2 million on 1 November 2006.

Additional 10 000 shares were acquired in RBCT on 30 June 2008 for R213 million. These shares were purchased at a price of $30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1Mt of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal. The South Dunes Coal Terminal (SDCT) also holds an investment in RBCT, of which Exxaro Coal (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R177 million at 31 December 2011 (2010: R186 million).

All this coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R392 million (2010: R401 million). The fair value could not be measured reliably because RBCT shares do not form part of an active market as there are no other shares available in South Africa. Willing buyers and sellers cannot be found at any time (restricted to a select few) of the same nature (homogenous) and prices are not available to the public. Although one could attach a certain set of market influences that significantly affect the value of such shares, the volatility of e.g. freight rates would cause the valuation to vary significantly.

The fair value of the financial instruments at initial recognition was determined to be the transaction price. Upon initial recognition no differences existed as a result of the fair value upon initial recognition differing to the value of the financial instrument determined using a valuation technique.

Subsequent to initial recognition, as the fair value of the investment in RBCT could not be measured reliably, the investment has been carried at cost. The carrying value of the investment in RBCT is R392 million (2010: R401 million).

It is not anticipated that the RBCT investments will be disposed of in the near future as the group has no intent to dispose of it.

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

***Long-term receivables***

Included in the long term receivables is an amount of R687 million (2010: R449 million) recoverable from Eskom in respect of the rehabilitation and environmental expenditure of the Matla and Arnot mines at the end-of-life of these mines. The corresponding anticipated liability is disclosed as part of non-current provisions (refer note 23).

There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

### 29.2 Reclassification of financial assets

No reclassification of financial assets occurred during the period.

### 29.3 Statement of changes in equity

Included in the statement of "other comprehensive income non-owner related movements" are the following pre-tax adjustments relating to financial instruments:

| | GROUP | |
|---|---|---|
| | **2011 Rm** | 2010 Rm |
| Effective portion of change in fair value of cash flow hedge | **(113)** | 307 |
| Currency translation differences | **31** | (2) |
| Tax on items above | **42** | (102) |
| As disclosed in other comprehensive income (refer to note 28) | **(40)** | 203 |

The above amounts are included in the hedging reserve.

### 29.4 Risk management

#### *29.4.1 Financial risk management*

The group's corporate treasury function (other than Exxaro Australia Sands (Pty) Limited which operates on a decentralised basis but within the approved group policies), provides financial risk management services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below. The group's management of capital is detailed in the report of the directors.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the board audit committee.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

#### *29.4.2 Market risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 29.4.2.1 below), commodity prices (see 29.4.2.2 below) and interest rates (see 29.4.2.3 below). The group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risks and commodity price risks, including:
- forward foreign exchange contracts (FECs) and currency options to hedge the exchange rate risk arising on the export of coal, base metal and mineral sands products as well as imported capital expenditure;
- forward interest rate contracts to manage interest rate risk;
- interest rate swaps to manage the risk of rising interest rates.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.2 Market risk management (continued)*

*29.4.2.1 Foreign currency risk management*

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US Dollars (US$), Euro, and Australian Dollars (AU$). Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to Rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FEC's and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2011 amount to US$93 million (2010: US$114 million), where as uncovered cash and cash equivalents amount to US$53 million (2010: US$44 million).

All capital imports were fully hedged. There were no imports (other than capital imports) which were not fully hedged during both 2011 and 2010. Monetary items have been translated at the closing rate at the last day of the reporting period US$1: R8,18 (2010: US$1: R6,63).

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

The following significant exchange rates applied for both group and company during the year:

| | Average spot rate | Average achieved rate | Closing spot rate |
|---|---|---|---|
| **2011** | | | |
| US$ | **7,22** | **7,28** | **8,18** |
| Euro | **10,07** | **9,98** | **10,58** |
| Australian Dollar | **7,47** | **7,58** | **8,30** |
| **2010** | | | |
| US$ | 7,30 | 7,72 | 6,63 |
| Euro | 9,68 | 9,94 | 8,83 |
| Australian Dollar | 6,71 | 6,80 | 6,75 |

**Foreign currency**

Material FECs and currency options, which relate to specific statement of financial position items, that do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2011 and 31 December 2010, are summarised as follows:

| | Market related value Rm | Foreign amount million | Contract value Rm | Recognised fair value profits/ (losses) Rm |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2011** | | | | |
| **Exports** | | | | |
| United States Dollar – FECs | **1 777** | **215** | **1 622** | **(155)** |
| **2010** | | | | |
| **Exports** | | | | |
| United States Dollar – FECs | 676 | 101 | 726 | 50 |

**Cash flow hedges – foreign currency risk**

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable. Details of the contracts at 31 December 2011 and 31 December 2010 are as follows:

# 29. FINANCIAL INSTRUMENTS (continued)

## 29.4 Risk management (continued)

### *29.4.2 Market risk management (continued)*

*29.4.2.1 Foreign currency risk management (continued)*

| | Market related value Rm | Foreign currency million | Contract value Rm | Recognised fair value in equity Rm |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2011** | | | | |
| **Imports** | | | | |
| United States Dollar – FECs | | | | |
| Less than three months | 74 | 9 | 74 | |
| Three Months | 10 | 1 | 10 | |
| Six months | 10 | 1 | 10 | |
| One year | 281 | 33 | 285 | (4) |
| Total | 375 | 44 | 379 | (4) |
| Euro – FECs | | | | |
| Less than three months | 3 | | 4 | (1) |
| Total | 3 | | 4 | (1) |
| Australian Dollars – FECs | | | | |
| Less than three months | 3 | | 3 | |
| Total | 3 | | 3 | |
| **Exports** | | | | |
| United States Dollar – Loans (including note holders loan) | | | | |
| Less than three months | 18 | 2 | 20 | (2) |
| Three Months | 16 | 2 | 18 | (2) |
| Six months | 221 | 27 | 264 | (43) |
| United States Dollar – Note holder's loan | | | | |
| One year | 164 | 20 | 253 | (89) |
| Two years | 82 | 10 | 114 | (32) |
| Three years | 69 | 8 | 96 | (27) |
| Four years | 69 | 8 | 96 | (27) |
| Total | 639 | 77 | 861 | (222) |

*Note: In respect of a US$77 million (2010: US$83 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.*

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

| | 2012 Rm | 2013 Rm | >2013 Rm | Total Rm |
|---|---|---|---|---|
| **Expected future cash flows** | | | | |
| – United States Dollar – Loan | 188 | | | 188 |
| – United States Dollar – Note holders' loan | 114 | 253 | 306 | 673 |
| **Expected gain/(loss) in profit and loss (at maturity)** | | | | |
| – United States Dollar – Loan | 47 | | | 47 |
| – United States Dollar – Note holders' loan | 108 | | | 108 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.2 Market risk management (continued)*

*29.4.2.1 Foreign currency risk management (continued)*

| | Market related value Rm | Foreign currency million | Contract value Rm | Recognised fair value in equity Rm |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2010** | | | | |
| **Imports** | | | | |
| United States Dollar – FECs | | | | |
| Less than three months | 10 | 1 | 10 | |
| Six months | 1 | 1 | 1 | |
| Total | 11 | 2 | 11 | |
| Euro – FECs | | | | |
| Less than three months | 10 | 1 | 10 | |
| Six months | 6 | 1 | 7 | |
| One year | 23 | 2 | 28 | (5) |
| Total | 39 | 4 | 45 | (5) |
| **Exports** | | | | |
| United States Dollar – Note holders' loan | | | | |
| Less than three months | 179 | 27 | 214 | (35) |
| Three Months | 106 | 16 | 124 | (20) |
| Six months | 60 | 9 | 64 | (4) |
| United States Dollar – Note holders' loan | | | | |
| One year | 30 | 5 | 30 | |
| More than three years | 407 | 61 | 518 | (111) |
| Total | 782 | 118 | 950 | (170) |

*Note: In respect of a US$77 million (2010: US$83 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.*

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

| | 2011 Rm | 2012 Rm | > 2012 Rm | Total Rm |
|---|---|---|---|---|
| **Expected future cash flows** | | | | |
| – United States Dollar – FECs | 404 | | | 404 |
| – United States Dollar – Note holders' loan | | 30 | 407 | 437 |
| **Expected gain/(loss) in profit and loss (at maturity)** | | | | |
| – United States Dollar – FECs | (59) | | | (59) |
| – Euro – FECs | (6) | | | (6) |
| – United States Dollar – Note holders' loan | (111) | | | (111) |

# 29. FINANCIAL INSTRUMENTS (continued)

## 29.4 Risk management (continued)

### *29.4.2 Market risk management (continued)*

*29.4.2.1 Foreign currency risk management (continued)*

| | Market related value Rm | Foreign currency million | Contract value Rm | Recognised fair value in equity Rm |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2010** | | | | |
| **Imports** | | | | |
| United States Dollar – FECs | | | | |
| Less than three months | 1 | | 1 | |
| Total | 1 | | 1 | |

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

| | 2012 Rm | >2012 Rm | Total Rm |
|---|---|---|---|
| **Expected future cash flows** | | | |
| – United States Dollar – FECs | 1 | | 1 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.2 Market risk management (continued)*

*29.4.2.1 Foreign currency risk management (continued)*

**Foreign currency sensitivity**

The following table includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates and details the group and company sensitivity thereto. Foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans have been included in the analysis. A positive number represents a gain whilst a negative number represents a loss.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **GROUP** | | | | |
| US$ | **243** | 179 | **(41)** | (29) |
| Euro | | 45 | | |
| **COMPANY** | | | | |
| US$ | | 3 | | |

A 10% decrease in the rand against each foreign exchange rate would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

For exports (US$), an increase in the exchange rate of the rand (ZAR) against the dollar (US$) (eg FEC taken out on exports at R7,94 : US$1, with actual rate coming out at R8,73: US$1) represents a weakening of the rand against the US dollar, which results in a loss incurred of R0,80.

The opposite applies for a decrease in the exchange rate.

For imports (Euro), an increase in the exchange rate of the rand (ZAR) against the Euro (eg FEC taken out on exports at R10,00: £1, with actual rate coming out at R11,00: £1) represents a weakening of the rand against the Euro, which results in a gain incurred of R1,00.

The opposite applies for a decrease in the exchange rate. The opposite applies for a decrease in the exchange rate.

*29.4.2.2 Commodity risk management*

The group entered into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices.

Cash flow price hedges for coal at year end are insignificant due to limited hedged exports and fixed price agreements.

During 2011, the ineffective portion of the cash flow hedged reported in profit/(loss), amounted to Rnil million (2010: R5 million).

As at 31 December 2011 the net fair value of commodity derivatives reflected a R0 million loss (2010: R55 million). The potential loss in fair value for such commodity hedging derivatives from a hypothetical adverse 10% move against Exxaro's position in commodity prices would be approximately Rnil million (2010: R13 million).

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or direct with suppliers and customers. Price hedging is undertaken on a limited scale for future zinc sales at Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (Pty) Limited to secure operating margins and reduce cash flow volatility. Price hedging is also undertaken for future lead sales at Rosh Pinah.

The current commodity price hedges matured in December 2011.

# 29. FINANCIAL INSTRUMENTS (continued)

## 29.4 Risk management (continued)

### *29.4.2 Market risk management (continued)*

*29.4.2.2 Commodity risk management (continued)*

**Cash flow hedges – commodity risk**

The forward hedged position at statement of financial position date is shown below:

| 2010 | Tons | Market related value Rm | Foreign currency million | Contract value Rm | Recognised fair value in equity Rm |
|---|---|---|---|---|---|
| Recognised transactions | | | | | |
| Lead | | | | | |
| Price | 5 500 | 92 | 11 | 72 | (21) |
| Currency | | 74 | 11 | 105 | 31 |
| Zinc | | | | | |
| Price | 26 700 | 438 | 55 | 365 | (73) |
| Currency | | 281 | 41 | 399 | 118 |
| Attributable to: | | | | | |
| – tax | | | | | 21 |
| – minority shareholders | | | | | 10 |
| | | 885 | 118 | 941 | 86 |

The above-mentioned hedges mature in 2011, which year the future expected cash flows are expected.

*29.4.2.3 Interest rate risk management*

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The risk is also managed by entering into interest rate swaps. The financial institutions chosen are subject to compliance with the relevant regulatory bodies. A proportion of term through borrowings entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate swap ceased at the end of November 2010.

The interest rate repricing profile is summarised below:

| **At 31 December** | 1 – 6 months Rm | 7 – 12 months Rm | Beyond 1 year Rm | Total borrowings Rm |
|---|---|---|---|---|
| **2011** | | | | |
| Term borrowings (under the IFRS 7 scope) | **3 031** | | **464** | **3 495** |
| Call borrowings | **219** | | | **219** |
| | **3 250** | | **464** | **3 714** |
| % of total borrowings | **88** | | **12** | **100** |
| **2010** | | | | |
| Term borrowings (under the IFRS 7 scope) | 3 706 | | 684 | 4 360 |
| % of total borrowings | 85 | | 15 | 100 |

The following table reflects the potential impact on earnings, given a movement in interest rates of 50 basis points:

| | Increase of 50 basis points in interest rate | | Decrease of 50 basis points in interest rate | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| (Loss)/profit | **(16)** | (18) | **16** | 18 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.3 Liquidity risk management*

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. The group aims to cover at least its net debt requirements through long-term borrowing facilities.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

Financial guarantees are included within other liabilities.

All guarantees currently accounted for relates to operational guarantees.

Borrowing capacity is determined by the directors in terms of the Articles of Association, from time to time:

| | GROUP | |
|---|---|---|
| | **2011** | 2010 |
| | **Rm** | Rm |
| Amount approved | **29 485** | 21 850 |
| Total borrowings | **(3 902)** | (4 360) |
| Unutilised borrowing capacity | **25 583** | 17 490 |

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2011 and 2010 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are performed.

A number of trade payables do however have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.3 Liquidity risk management (continued)*

**Maturity profile of financial instruments**

The following table details the group's contractual maturities of financial liabilities:

| | Carrying amount Rm | Contractual cash flows Rm | Maturity 0 - 12 months Rm | Maturity 1 - 2 years Rm | Maturity 2 - 5 years Rm | Maturity More than 5 years Rm |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2011** | | | | | | |
| **Financial assets** | | | | | | |
| Exxaro Environmental Rehabilitation Trust asset | 609 | 609 | 156 | 2 | 70 | 381 |
| Richards Bay Coal Terminal (RBCT) | 359 | 359 | | 33 | 58 | 268 |
| Investment in equity instruments at cost | 4 | 4 | | | | 4 |
| Ndzalama game reserve | 2 | 2 | 2 | | | |
| Derivative financial instruments | 58 | 58 | 58 | | | |
| Long-term receivables | 722 | 722 | | 20 | 16 | 686 |
| Trade and other receivables | 3 600 | 3 600 | 3 600 | | | |
| Cash and cash equivalents | 4 165 | 4 165 | 4 165 | | | |
| | 9 519 | 9 519 | 7 981 | 55 | 144 | 1 339 |
| *Percentage profile (%)* | 100 | 100 | 83 | 1 | 2 | 14 |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | 3 714 | 4 170 | 1 353 | 2 056 | 761 | |
| Trade and other payables | 2 775 | 2 775 | 2 775 | | | |
| Derivative financial instruments | 183 | 183 | 183 | | | |
| | 6 672 | 7 128 | 4 311 | 2 056 | 761 | |
| *Percentage profile (%)* | 100 | 100 | 60 | 29 | 11 | |
| **Derivative financial liabilities (Included in the above)** | | | | | | |
| Foreign exchange forward contracts used for hedging | | | | | | |
| – Sell (rands inflow) | 1 622 | | | | | |
| **Other forward exchange contracts** | | | | | | |
| – Buy (rands outflow) | 386 | | | | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.3 Liquidity risk management (continued)*

| | | | Maturity | | | |
|---|---|---|---|---|---|---|
| | Carrying amount Rm | Contractual cash flows Rm | 0 - 12 months Rm | 1 - 2 years Rm | 2 - 5 years Rm | More than 5 years Rm |
| **GROUP** | | | | | | |
| **2010** | | | | | | |
| **Financial assets** | | | | | | |
| Exxaro Environmental Rehabilitation Trust asset | 542 | 542 | | 113 | 62 | 367 |
| Richards Bay Coal Terminal (RBCT) | 369 | 369 | | 31 | 61 | 277 |
| Ndzalama game reserve | 7 | 7 | | | | 7 |
| Long-term receivables | 477 | 477 | | 19 | 10 | 448 |
| Trade and other receivables | 2 734 | 2 734 | 2 734 | | | |
| Derivative financial instruments | 192 | 192 | 192 | | | |
| Cash and cash equivalents | 2 140 | 2 140 | 2 140 | | | |
| | 6 461 | 6 461 | 5 066 | 163 | 133 | 1 099 |
| *Percentage profile (%)* | 100 | 100 | 78 | 3 | 2 | 17 |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | 4 093 | 4 093 | 650 | 594 | 2 564 | 285 |
| Trade and other payables | 1 997 | 1 997 | 1 997 | | | |
| Derivative financial instruments | 10 | 10 | 10 | | | |
| | 6 100 | 6 100 | 2 657 | 594 | 2 564 | 285 |
| *Percentage profile (%)* | 100 | 100 | 44 | 10 | 42 | 5 |
| **Derivative financial liabilities (included in the above)** | | | | | | |
| Foreign exchange forward contracts used for hedging | | | | | | |
| – Sell (rands inflow) | 726 | | | | | |
| **Other forward exchange contracts** | | | | | | |
| – Buy (rands outflow) | 56 | | | | | |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.3 Liquidity risk management (continued)*

| | Carrying amount Rm | Contractual cash flows Rm | Maturity 0 - 12 months Rm | 1 - 2 years Rm | 2 - 5 years Rm | More than 5 years Rm |
|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | |
| **2011** | | | | | | |
| **Financial assets** | | | | | | |
| Exxaro Environmental Rehabilitation Trust asset | **14** | **14** | | | **14** | |
| Trade and other receivables | **11 350** | **11 350** | **11 350** | | | |
| Cash and cash equivalents | **29** | **29** | **29** | | | |
| | **11 393** | **11 393** | **11 379** | | **14** | |
| *Percentage profile (%)* | **100** | **100** | **99,9** | | **0,1** | |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | **2 937** | **3 257** | **1 004** | **1 824** | **429** | |
| Trade and other payables | **374** | **374** | **374** | | | |
| | **3 311** | **3 631** | **1 378** | **1 824** | **429** | |
| *Percentage profile (%)* | **100** | **100** | **38** | **50** | **12** | |
| **COMPANY** | | | | | | |
| **2010** | | | | | | |
| **Financial assets** | | | | | | |
| Exxaro Environmental Rehabilitation Trust asset | 12 | 12 | | | 12 | |
| Trade and other receivables | 10 778 | 10 778 | 10 778 | | | |
| Cash and cash equivalents | 1 229 | 1 229 | 1 229 | | | |
| | 12 019 | 12 019 | 12 007 | | 12 | |
| *Percentage profile (%)* | 100 | 100 | 99 | | 1 | |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | 3 135 | 3 135 | 417 | 617 | 2 101 | |
| Trade and other payables | 190 | 190 | 190 | | | |
| | 3 325 | 3 325 | 607 | 617 | 2 101 | |
| *Percentage profile (%)* | 100 | 100 | 18 | 19 | 63 | |
| **Derivative financial liabilities (included in the above)** | | | | | | |
| Foreign exchange forward contracts used for hedging | | | | | | |
| – Buy (rands outflow) | 1 | | | | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.4 Credit risk management*

Credit risk relates to potential default by counterparties on cash and cash equivalents, investments, trade receivables and hedged positions.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure, where dictated by customer credit worthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

At the reporting date, the amount of change in the fair value of financial liabilities designated at fair value through profit and loss, attributable to credit risk is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| Cumulative | | (2) | | |

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments below was held as collateral for any security provided.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for both group and company.

Detail of the trade receivables credit risk exposure:

| | GROUP | |
|---|---|---|
| | **2011 %** | 2010 % |
| **By industry** | | |
| Manufacturing (including structural metal and steel) | **20** | 24 |
| Public utilities | **29** | 31 |
| Other | **51** | 45 |
| | **100** | 100 |
| **By geographical area** | | |
| South Africa | **47** | 50 |
| Asia | **3** | 9 |
| Australia | **17** | 20 |
| Europe | **20** | 20 |
| USA | **6** | |
| Other | **7** | 1 |
| | **100** | 100 |

The group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

# 29. FINANCIAL INSTRUMENTS (continued)

## 29.4 Risk management (continued)

### *29.4.4 Credit risk management (continued)*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **The carrying amount of the financial assets at reporting date was:** | | | | |
| Neither past due nor impaired | **9 495** | 6 456 | **11 393** | 12 019 |
| – trade and other receivables | **3 576** | 2 729 | **11 350** | 10 779 |
| – other financial assets | **1 538** | 1 374 | **14** | 11 |
| – derivative financial instruments | **58** | 192 | | |
| – non-current assets held-for-sale | **158** | 21 | | |
| – cash and cash equivalents | **4 165** | 2 140 | **29** | 1 229 |
| Past due | **24** | 5 | | |
| – trade and other receivables | **24** | 5 | | |
| **Total financial assets** | **9 519** | 6 461 | **11 393** | 12 019 |
| Impaired | | | | |
| – trade and other receivables | **35** | 40 | **2 861** | 3 293 |
| Financial assets including impaired receivables | **9 554** | 6 502 | **14 254** | 15 312 |

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norm.

There were no financial assets with renegotiated terms during the 2011 or 2010 reporting periods.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **Trade and other receivables age analysis** | | | | |
| Past due but not impaired | | | | |
| 1 – 30 days overdue | **1** | | | |
| 61 – 90 days overdue | **23** | 5 | | |
| **Total carrying amount of financial instruments past due but not impaired** | **24** | 5 | | |
| **Past due and impaired** | | | | |
| >90 days overdue | **35** | 40 | **2 861** | |
| **Total carrying amount of financial instruments past due and impaired** | **35** | 40 | **2 861** | 3 293 |
| **Total carrying amount of financial instruments past due or impaired** | **59** | 45 | **2 861** | 3 293 |

Before the financial instruments can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

No collateral was held by the Exxaro group as security and other enhancement over the financial assets during the years ended 31 December 2011 or 2010.

*Loans and receivables designated at fair value through profit and loss*
The group had no loans and receivables designated as at fair value through profit and loss during the period.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4 Risk management (continued)

#### *29.4.4 Credit risk management (continued)*

*Guarantees*

The group did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the financial years ended 31 December 2011 or 2010. For all other guarantees, refer to note 33 on contingent liabilities.

#### *29.4.5 Other price risks*

The group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The group does not actively trade these investments.

## 30. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are not more or less favourable than those arranged with third parties.

### ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are disclosed in note 15 and annexure 2 whilst income is disclosed in note 15. There were no finance costs or expenses in respect of bad debts or doubtful debts incurred with regard to the joint ventures or the associates during the financial years ended 31 December 2011 or 2010.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Joint ventures Rm | Associates Rm | Joint ventures Rm | Associates Rm |
| **Year ended 31 December** | | | | |
| – Group sales of goods | 12 | 58 | 24 | 53 |
| – Group purchases of goods and services | 780 | 264 | 582 | 344 |
| **At 31 December** | | | | |
| – included in trade and other receivables (refer note 19) | 1 | 4 | 7 | 3 |
| – included in trade and other payables (refer note 26) | 68 | | 89 | 10 |
| – included in cash and cash equivalents | 971 | | 224 | |
| – included in financial assets | 137 | | 156 | |

During both years under review, there was no provision raised for doubtful debts relating to the balances above.

### SUBSIDIARIES

Details of income from, and investments in subsidiaries are disclosed in notes 6 and 16 respectively, as well as in annexure 3.

#### *Corporate service fee from subsidiaries*

The following significant service level commitment fees and corporate service fees were received by Exxaro Resources Limited for services rendered:

| | 2011 Rm | 2010 Rm |
|---|---|---|
| Exxaro Coal Proprietary Limited | 867 | 764 |
| Exxaro Base Metals Proprietary Limited | 113 | 143 |
| Exxaro Sands Proprietary Limited | 150 | 152 |

## 30. RELATED PARTY TRANSACTIONS (continued)

### SPECIAL PURPOSE ENTITIES

The group has an interest in the following special purpose entities which are consolidated unless otherwise indicated:

| Entity | Nature of business |
|---|---|
| Exxaro Environmental Rehabilitation Fund | Trust fund for mine closure |
| Exxaro Employee Empowerment Participation Scheme Trust | Employee share incentive trust |
| Exxaro Foundation | Local social economic development[1] |
| Exxaro Chairman's Fund | Local social economic development[1] |
| Exxaro People Development Initiative NPC | Local social economic development – bridging classes[1] |
| Kumba Resources Management Share Trust | Management share incentive trust |
| Anglo Coal and Base Metals Environmental Rehabilitation Trust (Mafube Coal Mining Proprietary Limited) | Trust fund for mine closure |

*1 Non-profit organisations.*

### DIRECTORS

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in the Directors' remuneration report.

### SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 32.

### KEY MANAGEMENT PERSONNEL

For Exxaro Resources Limited other than the Executive Committee, no other key management personnel were identified. Refer to 77 to 109 for details on directors' and prescribed officers' remuneration.

For the group, for 2011 and 2010, the executive committee has been identified as being both key management personnel and prescribed officers. Refer to 77 to 109 for details on their remuneration.

### SHAREHOLDERS

The principal shareholders of the company at 31 December 2011 are detailed in the "Analysis of Shareholders" schedule on 206.

### CONTINGENT LIABILITIES

Details are disclosed in note 33.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 31. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive committee of the company.

Analysis of the group's profit and losses and assets and liabilities by reportable segment:

| | Coal | | | | Mineral Sands | | | |
|---|---|---|---|---|---|---|---|---|
| | Tied operations | | Commercial operations | | KZN Sands | | Namakwa Sands | |
| | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm |
| **SEGMENT PROFIT AND LOSS** | | | | | | | | |
| Segment revenue | | | | | | | | |
| Total revenue | 3 140 | 2 952 | 9 623 | 7 563 | 1 196 | 1 288 | 2 904 | 1 801 |
| Inter-segmental | | | | | | | | |
| External (refer note 2) | 3 140 | 2 952 | 9 623 | 7 563 | 1 196 | 1 288 | 2 904 | 1 801 |
| Revenue from continuing operations | | | | | | | | |
| Revenue from discontinued operations | | | | | | | | |
| Segment net operating profit/(loss) | 309 | 186 | 3 030 | 2 504 | 753 | (66) | 987 | 107 |
| Net operating profit from continuing operations | | | | | | | | |
| Net operating profit from discontinued operations | | | | | | | | |
| Interest income (external) (refer note 5) | 2 | 2 | 49 | 44 | 3 | 4 | 1 | 2 |
| Interest expense (external) (refer note 5) | | | 17 | 22 | (207) | 70 | | |
| Interest adjustment on non-current provisions (refer note 23) | 174 | 32 | 175 | 121 | 6 | 8 | 20 | |
| Interest adjustment on non-current employee obligations (refer note 24) | | | | | | | 3 | 3 |
| Depreciation and amortisation of intangible assets | 37 | 39 | 629 | 569 | 126 | 249 | 128 | 166 |
| Impairment charges/(reversals)(refer note 4) | | | | | (869) | | | |
| Income tax expense/(income) | 47 | 135 | 890 | 556 | (547) | 3 | 258 | (30) |
| Other non-cash flow items | 87 | 18 | (93) | 21 | 32 | (44) | 104 | (13) |
| Cash inflow from operations | 433 | 243 | 3 568 | 3 094 | 111 | 150 | 1 266 | 307 |
| Cash generated by operations | 401 | 206 | 4 209 | 2 999 | 237 | 251 | 713 | 667 |
| Income from equity accounted investments | | | | | | | | |
| Capital expenditure | | | 3 856 | 1 740 | 223 | 52 | 264 | 217 |
| **SEGMENT ASSETS AND LIABILITIES** | | | | | | | | |
| Deferred tax | | | 36 | 48 | | 100 | | 55 |
| Investments in associates (equity accounted) | | | | | | | | |
| External assets (excluding deferred tax and investments in equity accounted associates and joint ventures and non-current assets classified as held-for-sale) | 1 573 | 1 333 | 13 484 | 9 784 | | 2 741 | | 3 273 |
| **Total assets** | 1 573 | 1 333 | 13 520 | 9 840 | | 2 841 | | 3 328 |
| Non-current assets classified as held-for-sale | | | | | | | | |
| **Total assets as per statement of financial position** | | | | | | | | |
| Liabilities (external) | 1 215 | 629 | 2 947 | 2 487 | | 533 | | 369 |
| Deferred tax | 101 | 121 | 1 731 | 1 135 | | | | |
| Current tax payable | | 16 | 34 | 132 | | | | |
| **Total liabilities** | 1 316 | 766 | 4 712 | 3 754 | | 533 | | 369 |
| Non-current liabilities classified as held-for-sale | | | | | | | | |
| **Total liabilities as per statement of financial position** | | | | | | | | |
| Additions in non-current assets[1] | | | 3 917 | 1 741 | 223 | 52 | 264 | 217 |

1 *Excluding financial instruments, deferred tax, post employment benefit assets, intercompany loans, investments in subsidiaries and rights under insurance contracts*

The group relies on two of its major customers for its revenue from the tied coal operations, commercial coal operations, base metals Zincor and "Other" reportable segments. The group has revenues from two external customers which account for at least 10% or more individually to the group's revenues (12% and 24% (2010: 15% and 28%)). The total amount of revenue from these two customers was R2 628 million and R5 160 million respectively (2010: R2 538 million and R4 754 million respectively).

During 2011, the Mineral Sands operating segment was classified as held-for-sale, as well as the Rosh Pinah operations within the Base Metals operating segment (refer note 20).

| Mineral Sands | | Base Metals | | | | | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia Sands | | Rosh Pinah | | Zincor | | Other base metals | | | | | |
| **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm | **2011 Rm** | 2010 Rm |
| **2 487** | 1 551 | **698** | 674 | **1 550** | 1 598 | | | **110** | 213 | **21 708** | 17 640 |
| | | **(403)** | (485) | | | | | | | **(403)** | (485) |
| **2 487** | 1 551 | **295** | 189 | **1 550** | 1 598 | | | **110** | 213 | **21 305** | 17 155 |
| | | | | | | | | | | **12 471** | 10 116 |
| | | | | | | | | | | **8 834** | 7 039 |
| **938** | 138 | **102** | 143 | **(1 239)** | (171) | **(8)** | (85) | **(491)** | (120) | **4 381** | 2 636 |
| | | | | | | | | | | **2 808** | 2 488 |
| | | | | | | | | | | **1 573** | 148 |
| **56** | 3 | **3** | 4 | | 5 | | | **109** | 71 | **223** | 135 |
| **52** | 43 | **1** | 1 | | | | | **223** | 255 | **86** | 391 |
| **12** | 9 | **23** | (1) | **14** | 25 | | | **2** | 2 | **426** | 196 |
| | | | | | | | | | | **3** | 3 |
| **166** | 186 | **20** | 52 | **28** | 58 | | 5 | **70** | 56 | **1 204** | 1 380 |
| | | | | **516** | | | 26 | | (22) | **(353)** | 4 |
| **243** | (24) | **36** | 43 | **134** | (62) | **63** | 3 | **(14)** | 41 | **1 110** | 665 |
| **28** | 31 | **25** | 19 | **207** | (2) | | | **14** | 23 | **404** | 53 |
| **1 128** | 298 | **178** | 216 | **(488)** | (115) | **(43)** | (58) | **(407)** | (62) | **5 746** | 4 073 |
| **803** | 109 | **196** | 167 | **(76)** | (191) | **(23)** | (58) | **43** | (44) | **6 503** | 4 106 |
| | | | | | | **213** | 93 | **4 455** | 3 624 | **4 668** | 3 717 |
| **178** | 424 | **80** | 76 | **28** | 96 | | | **297** | 72 | **4 926** | 2 677 |
| | (15) | | | | 136 | | 60 | **192** | 342 | **228** | 726 |
| | | | | | | **625** | 369 | **4 139** | 3 426 | **4 764** | 3 795 |
| | 3 021 | | 620 | **312** | 1 208 | **66** | 40 | **1 514** | 1 975 | **16 949** | 24 003 |
| | 3 006 | | 620 | **312** | 1 344 | **691** | 469 | **5 845** | 5 743 | **21 941** | 28 524 |
| | | | | | | | | | | **14 979** | 85 |
| | | | | | | | | | | **36 920** | 28 609 |
| | 1 355 | **8** | 161 | **836** | 574 | | 6 | **3 846** | 3 438 | **8 852** | 9 652 |
| | | | 87 | | | | | **13** | 2 | **1 845** | 1 345 |
| | | | 1 | | | | 1 | **16** | (4) | **50** | 146 |
| | 1 355 | **8** | 249 | **836** | 574 | | 7 | **3 875** | 3 536 | **10 747** | 11 143 |
| | | | | | | | | | | **2 565** | 52 |
| | | | | | | | | | | **13 312** | 11 195 |
| **178** | 424 | **80** | 76 | **28** | 96 | | | **355** | 129 | **5 045** | 2 735 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 31. OPERATING SEGMENTS (continued)

| Information about geographical areas | External revenue | | Carrying amount of non-current assets[1] | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Rm** | Rm | **Rm** | Rm |
| *Sourced from country of domicile* | | | | |
| – South Africa | **10 743** | 9 907 | **14 847** | 14 421 |
| *Sourced from foreign countries* | | | | |
| – Rest of Africa | | 2 | **638** | 308 |
| – Europe | **5 757** | 4 046 | | |
| – Asia | **1 782** | 1 151 | **168** | 78 |
| – Australia | **1 688** | 1 000 | | 2 499 |
| – USA | **647** | 591 | | |
| – Other | **688** | 458 | | |
| Total segment | **21 305** | 17 155 | **15 653** | 17 306 |

1 *Excluding financial instruments, deferred tax, post employment benefit assets, intercompany loans, investments in subsidiaries and rights under insurance contracts.*

No asymmetrical allocations to reportable segments occurred during the periods under review. The decrease in the carrying amount of non-current assets relates to the mineral sands segment, as well as the Rosh Pinah operations within the base metals segment which was classified as held-for-sale during 2011. The impairment of the carrying value of the property, plant and equipment of Zincor, within the base metals segment, also contributed to the lower carrying amount of the non-current assets.

Total segment revenue, which excludes value-added tax, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. The group uses the basis of significant marketing regions to allocate external revenues to the individual countries.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses and includes impairment charges and goodwill amortisation.

Segment expenses represent direct or reasonably allocable operating expenses on a segment basis.

Segment assets and liabilities include directly and reasonably allocable operating assets and liabilities. This information is not regularly provided to the chief decision maker.

There were no significant differences in the way segment profit and loss is measured in comparison to the previous annual period or between the reportable segments' profits or losses and the group's profit and loss.

## 32. EMPLOYEE BENEFITS

*Retirement funds*

Independent funds provide retirement and other benefits for all permanent employees, retired employees and their dependants.

At the end of the financial year the main defined contribution retirement funds, to which Exxaro was a participating employer, were as follows:

- Exxaro Selector Pension Fund and Exxaro Selector Provident Fund;
- Iscor Employees' Provident Fund;
- Mine Workers Provident Fund;
- Namakwa Sands Employees Provident Fund; and
- Sentinel Mining Industry Retirement Fund.

In compliance with the South African Pension Funds Act of 1956 (the Act) after the unbundling of Kumba Iron Ore Limited, Sishen Iron Ore Company employees were transferred to the newly created Kumba Iron Ore Selector Pension and Provident Fund after all regulatory approvals had been obtained.

Members generally pay a contribution of 7%, with the employer's contribution of 10% to the above funds, being expensed as incurred.

All funds registered in South Africa are governed by the Act.

*Defined contribution funds*

Membership of each fund at 31 December 2011 and 2010 and employer contributions to each fund were as follows:

| | Working members[1] | Working members[1] | Employer contributions | Employer contributions |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Number** | Number | **Number** | Rm |
| **GROUP** | | | | |
| Exxaro Selector Funds | **2 503** | 2 473 | **83** | 75 |
| Iscor Employees' Provident Fund | **2 955** | 3 038 | **33** | 33 |
| Mine Workers Provident Fund | **1 835** | 1 840 | **14** | 13 |
| Namakwa Sands Employees Provident Fund | **918** | 986 | **15** | 14 |
| Sentinel Mining Industry Retirement Fund | **1 099** | 1 111 | **33** | 32 |
| Other funds | **965** | 992 | **18** | 18 |
| | **10 275** | 10 440 | **196** | 185 |
| **COMPANY** | | | | |
| Exxaro Selector Funds | **643** | 643 | **30** | 27 |
| Iscor Employees' Provident Fund | **79** | 85 | **1** | 1 |
| Sentinel Mining Industry Retirement Fund | **41** | 42 | **3** | 3 |
| Other funds | **1** | | | |
| | **764** | 770 | **34** | 31 |

*1 Working members who are contributing members to an accredited retirement fund.*

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

*Defined benefit funds*

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations were received in 2007.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 32. EMPLOYEE BENEFITS (continued)

*Rosh Pinah*

The group has a defined benefit obligation for the provision of severance benefits to employees of the Rosh Pinah operation in accordance with Namibian law. As the severance benefits are only payable on retirement or the involuntary termination of services from the side of the employer, this is accounted for a as post-retirement service obligation. This plan is a defined benefit obligation. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried in December 2011 by Alexander Forbes. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| Discount rate | **9,50** | 7,50 |
| Inflation rate | **5,75** | 4,00 |
| Salary increase rate | **7,25** | 5,50 |
| Amounts recognised in profit and loss in respect of the defined benefit plan were as follows: | | |
| Current service cost | **1** | 1 |
| Interest on obligation | **1** | 1 |
| | **2** | 2 |
| The expense for the year is included in the employee benefits expense in the statement of comprehensive income. | | |
| Reconciliation of the opening and closing balances of the present value of the defined benefit obligation: | | |
| Defined benefit obligation at beginning of year | **5** | 3 |
| *Plus:* Current service cost | **1** | 1 |
| *Plus:* Interest cost | **1** | 1 |
| Defined benefit obligation at end of year | **7** | 5 |
| Determination of estimated post-retirement expense for the next financial year: | | |
| Current service cost | 1 | 1 |
| *Plus:* Interest cost | 1 | 1 |
| Expense | 2 | 2 |

## 32. EMPLOYEE BENEFITS (continued)

*Namakwa Sands*

The group has defined benefit obligations for the provision of post retirement medical benefits.

As part of the business combination with Namakwa Sands on October 1, 2008 a post-retirement medical obligation was acquired.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in November 2011 by NMG Consultants and Actuaries. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2011 | 2010 |
|---|---|---|
| | % | % |
| Discount rate | 9,00 | 8,25 |
| Inflation rate | 6,25 | 5,50 |
| Healthcare cost trend | 7,75 | 7,00 |
| Amounts recognised in profit and loss in respect of the defined benefit plan were as follows: | | |
| Current service cost | 2 | 2 |
| Interest on obligation | 3 | 3 |
| Actuarial gains | 2 | 5 |
| | 7 | 10 |
| The expense for the year is included in the employee benefits expense in the statement of comprehensive income. | | |
| Reconciliation of the opening and closing balances of the present value of the defined benefit obligation: | | |
| Defined benefit obligation at the beginning of the year | 38 | 29 |
| Current service cost | 2 | 2 |
| *Plus:* Interest cost | 3 | 3 |
| *Plus:* Actuarial losses | 2 | 5 |
| Defined benefit obligation at end of year | 44 | 39 |

Determination of estimated post-retirement expense for the next financial year:

| | 2012 | 2011 |
|---|---|---|
| | Rm | Rm |
| Current service cost | 2 | 2 |
| *Plus:* Unrecognised actuarial losses in the year | | 2 |
| *Plus:* Interest cost | 4 | 3 |
| Expense | 7 | 7 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 32. EMPLOYEE BENEFITS (continued)

*Medical funds*

The group and company contribute to defined benefit medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged against income amounted to R102 million (2010: R92 million).

Exxaro has a post-retirement medical obligation to a limited number of in-services and retired employees belonging to two medical schemes for which an actuarially determined liability has been raised. Exxaro Coal Mpumalanga's contribution to the post retirement medical aid obligation for the year ended 31 December 2011 amounted to R2 million (2010: R2 million)

The post-retirement liability of Namakwa Sands is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid on the death of the primary member, either pre– or post–retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands.

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the statement of comprehensive income. The provision is expected to be utilised over the expected lives of the participants of the scheme.

*Equity compensation benefits*

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

Mpower

Exxaro created an Employee Empowerment Participation Scheme in November 2006 whereby certain employees were given the opportunity to share in the growth of the company. Exxaro issued approximately 10,7 million shares which was held in trust for the benefit of selected Exxaro employee beneficiaries. Employees are awarded equal share units in the trust which entitles them to dividends on the Exxaro shares in trust in the five-year period that ended in November 2011. The total distribution to be made by the trust is independent of the number of units allocated to employees, therefore as more units are allocated the benefits to the trust are split between participating employees. As a result, all equity instruments of the scheme are effectively granted upon first issue of units to a participant. Given this operation, the value of the scheme determined at the grant date represents the final scheme value to be recognise under IFRS 2. By the end of the five-year period or capital appreciation period, the Exxaro shares that employee beneficiaries have a right to through the share units awarded to them in the Trust, were sold. The capital distribution is the profit that is made on these shares after they are sold and the outstanding loan (used to buy the shares) to Exxaro is settled. The Mpower scheme is an equity-settled share based-payment scheme.

Share Appreciation Right Scheme (SARs)

Participants obtain the right, if performance conditions are met, to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant price. The performance condition relates to Headline Earnings per Share of the group and is calculated for a minimum and maximum performance condition. Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which time the performance conditions are calculated. The vested grants will lapse after seven years from the grant date.

The SARs scheme is an equity settled share-based payment scheme.

## 32. EMPLOYEE BENEFITS (continued)

**Long-term Incentive Plan (LTIP)**

A LTIP is a conditional award of Exxaro shares offered to qualifying senior employees of the group. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. LTIP is an equity settled scheme.

There are two performance conditions that determine the number LTIPs that vest:

- The Total Shareholder Return ('TSR') Condition

  This condition compares the TSR of Exxaro with the TSR of a peer group of companies. The peer group of companies is determined by the Nomination Transformation, Remuneration, Human Resources Committee. TSR is defined to be the compound annual growth rate ('CAGR') on a portfolio of Exxaro/peer group shares purchased at the end of the group's financial year in which the grant is made, holding the shares, and reinvesting the dividends received from the portfolio in the same shares for three years, and then selling the portfolio at the end of the three years.

- The Return on Capital Employed ('ROCE') Condition

  The ROCE measure is a Return on Capital Employed measure with a number of adjustments as determined by the rules of the scheme. Initial targets are set based on existing ROCE performance in the base year of an LTIP and planned ROCE performance in the performance year ('target year'). The audited results for the previous financial year, with relation to the year in which the grants are made, is the base year and the third year after the base year is the target year.

  50% of the grant is subject to the TSR condition and 50% is subject to the ROCE condition. Awards vests linearly between 30% and 100% for performance between the minimum and the maximum targets.

**Deferred Bonus Plan (DBP)**

DBP is to encourage directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an uplift in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may at its election dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award.

The DBP is an equity settled scheme.

**Options**

The Exxaro Management Option Scheme consists of options in respect of ordinary shares at market value granted to eligible participants. No further grants were made under this scheme since the unbundling from Kumba Resources Limited in 2006. This scheme was replaced by the new schemes as listed above. The Option scheme is an equity settled share-based payment scheme.

Options granted in terms of the Exxaro Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date. If the options are accepted by participants, the vesting periods, unless decided otherwise by the directors, are as follows:

- 10% after first anniversary of offer date;
- additional 20% after second anniversary of offer date;
- additional 20% after third anniversary of offer date;
- additional 25% after fourth anniversary of offer date;
- additional 25% after fifth anniversary of offer date.

The options not exercised lapse by the seventh anniversary of the offer date.

**Phantom Option Scheme**

As a result of restrictions related to the empowerment transaction of Kumba Resources Limited and Exxaro Resources Limited in 2006, certain executives and senior managers who participated in Management Share Option Scheme were not able to receive certain grants of options which would normally have been made in the ordinary course of operations. Consequently 'phantom options' were awarded to the affected participants within the following framework:

- awards of "phantom options" were made, with the grant price, vesting dates, and lapse periods set to be the same as those of the options awardable;
- on exercise, the participants are paid (in cash) the difference between the market price of Exxaro shares (volume weighted average price on the day preceding exercise) and the grant price; and
- all other rules and arrangements in respect of the Management Share Option Scheme were replicated for the Phantom Share Option Scheme.

The Phantom Option Scheme is a cash-settled scheme and no further issues were made since the 2006 unbundling from Kumba Resources Limited.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 32. EMPLOYEE BENEFITS (continued)

**Details of the schemes:**

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | Number of instruments '000 | Grant price range R | Number of instruments '000 | Grant price range R |
| ***Share Appreciation Right Scheme*** | | | | | |
| Outstanding at beginning of year | | 6 938 | 59,42 – 155,69 | 5 851 | 59,42 – 155,69 |
| Issued during the year | | 1 542 | 150,66 – 185,92 | 1 804 | 88,72 – 129,77 |
| Exercised during the year | | (811) | 59,42 – 155,69 | (394) | 60,60 – 112,35 |
| Lapsed/cancelled during the year | | (322) | 63,45 – 163,95 | (323) | 60,60 – 126,77 |
| Outstanding at end of the year | | 7 347 | 59,42 – 185,92 | 6 938 | 59,42 – 155,69 |
| Terms of outstanding at end of the year | Expiry date | | | | |
| | 2011 | | | 6 | 60,60 – 112,35 |
| | 2012 | 63 | 67,07 – 163,95 | 2 | 112,35 |
| | 2013 | | | | |
| | 2014 | 562 | 59,42 – 104,99 | 765 | 59,42 – 104,99 |
| | 2015 | 936 | 64,52 – 155,69 | 1 565 | 62,83 – 155,69 |
| | 2016 | 2 681 | 63,45 – 92,51 | 2 860 | 63,45 – 92,51 |
| | 2017 | 1 637 | 110,91 – 131,47 | 1 740 | 110,91 – 131,47 |
| | 2018 | 1 468 | 150,66 – 185,92 | | |
| | | 7 347 | | 6 938 | |
| Vested but not sold during the year | | 1 562 | 59,42 – 163,95 | 781 | 59,42 – 112,35 |
| Exercise price range for instruments exercised during the year (R) | | | 137,69 – 199,00 | | 105,90 – 138,80 |
| Total proceeds if shares are issued (R million) | | 771,8 | | 633,5 | |

| | | Number of instruments '000 | Face value range[1] R | Number of instruments '000 | Face value range[1] R |
|---|---|---|---|---|---|
| ***Long-term Incentive Plan*** | | | | | |
| Outstanding at beginning of year | | 1 524 | 63,45 – 126,77 | 1 550 | 60,60 – 112,35 |
| Issued during the year | | 377 | 150,66 – 163,95 | 427 | 88,72 – 129,77 |
| Exercised during the year | | (416) | 145,00 – 188,63 | (414) | 113,50 – 131,90 |
| Lapsed/cancelled during the year | | (6) | 67,07 – 163,95 | (39) | 67,07 – 112,35 |
| Outstanding at end of the year | | 1 479 | 63,45 – 163,95 | 1 524 | 63,45 – 126,77 |
| Terms of outstanding at end of the year | Expiry date | | | | |
| | 2011 | | | 408 | 85,00 – 112,45 |
| | 2012 | 689 | 63,45 – 69,06 | 696 | 63,45 – 69,06 |
| | 2013 | 416 | 113,61 – 126,77 | 420 | 120,39 – 126,77 |
| | 2014 | 374 | 150,66 – 163,95 | | |
| | | 1 479 | | 1 524 | |
| Face value range for instruments exercised during the year (R) | | | 145,00 – 188,63 | | 113,50 – 131,90 |
| Total value of shares outstanding (R million) | | 160,2 | | 145,3 | |

*1 Face value is the volume weighted average price of the previous business day when the transaction is executed*

## 32. EMPLOYEE BENEFITS (continued)

| | | Number of instruments '000 | Share price range[2] R | Number of instruments '000 | Share price range[2] R |
|---|---|---|---|---|---|
| ***Deferred Bonus Plan*** | | | | | |
| Outstanding at beginning of year | | 96 | 65,58 – 128,14 | 67 | 65,58 – 111,88 |
| Issued during the year | | 27 | 147,01 – 180,28 | 31 | 120,5 – 128,14 |
| Exercised during the year | | (14) | 149,50 -189,97 | (2) | 149,50 – 189,97 |
| Outstanding at end of the year | | 109 | 66,38 – 180,28 | 96 | 65,58 – 128,14 |
| Terms of outstanding at end of the year | Expiry date | | | | |
| | 2011 | | | 14 | 89,60 – 111,88 |
| | 2012 | 51 | 66,38 – 88,95 | 51 | 65,58 – 91,08 |
| | 2013 | 31 | 112,68 – 125,41 | 31 | 120,50 – 128,14 |
| | 2014 | 27 | 147,01 – 180,28 | | |
| | | 109 | | 96 | |
| Share price range for instruments exercised during the year (R) | | | 149,50 – 189,97 | | 149,50 – 189,97 |
| Total value of shares outstanding (R million) | | 11,5 | | 2,5 | |

*2 Price at which the shares was bought/sold*

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | Number of instruments '000 | Grant price range R | Number of instruments '000 | Grant price range R |
| ***Options*** | | | | | |
| Outstanding at beginning of year | | 1 460 | 12,90 – 47,73 | 2 295 | 7,32 – 47,73 |
| Exercised during the year | | (594) | 12,90 – 47,73 | (796) | 7,32 – 47,73 |
| Lapsed/cancelled during the year | | (5) | 47,73 | (39) | 40,68 – 47,73 |
| Outstanding at end of the year | | 861 | 18,38 – 47,73 | 1 460 | 12,90 – 47,73 |
| Terms of outstanding at end of the year | Expiry date | | | | |
| | 2011 | | | 203 | 12,90 – 13,62 |
| | 2012 | 310 | 18,38 – 32,84 | 483 | 18,38 – 32,84 |
| | 2013 | 551 | 33,47 – 47,73 | 774 | 33,47 – 47,73 |
| | | 861 | | 1 460 | |
| Vested but not sold during the year | | 861 | 18,38 – 47,73 | 1 129 | 12,90 – 47,73 |
| Exercise price range for instruments exercised during the year (R) | | | 142,00 – 199,00 | | 106,03 – 140,09 |
| Total proceeds if shares are issued (R million) | | 28,8 | | 44,0 | |
| ***Phantom Option Scheme*** | | | | | |
| Outstanding at beginning of year | | 33 | 19,62 – 32,84 | 43 | 19,62 – 32,84 |
| Exercised during the year | | (8) | 19,62 | (10) | 19,62 |
| Outstanding at end of the year | | 25 | 32,84 | 33 | 19,62 – 32,84 |
| Terms of outstanding at end of the year | Expiry date | | | | |
| | 2012 | 25 | 32,84 | 33 | 19,62 – 32,84 |
| | | 25 | | 33 | |
| Vested but not sold during the year | | 25 | 32,84 | 33 | 19,62 – 32,84 |
| Exercise price for instruments exercised during the year (R) | | | 175,29 | | 76,00 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

## 32. EMPLOYEE BENEFITS (continued)

*Fair value of equity compensation instruments*

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instruments granted.

A modified binomial tree model is used for the valuation of the SARs and Phantom Option Scheme while a Monte Carlo Simulation model for the LTIP. The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share, without dividend rights for the period from grant date to vesting date. Therefore the value of the DBP is equal to the grant date share price at the vesting date, less the present value of future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in the trust and the matching award.

| | | 2011<br>R | 2010<br>R |
|---|---|---|---|
| Weighted average fair value for grants during the year: | SARs | 68,37 | 48,34 |
| | LTIP | 59,04 | 106,36 |
| | DBP | 144,87 | 113,71 |
| Inputs to the valuation models for: | | | |
| **SARs** | Share price at valuation date (R) | 170,00 | 126,84 |
| | Weighted average option life (years) | 7 | 7 |
| | Exercise price (R) | 163,95 | 126,77 |
| | Expected volatility (%)[1] | 42,20 | 42,39 |
| | Dividend yield (%) | 3,42 | 3,80 |
| | Risk-free interest rate (%) | 8,30 | 8,17 |
| | Employee forfeiture rate (%) | 5,73 | 4,14 |
| **LTIP** | Share price at valuation date (R) | 170,00 | 126,84 |
| | Weighted average option life (years) | 3 | 3 |
| | Expected volatility of Exxaro share (%)[1] | 46,69 | 49,70 |
| | Expected volatility of peer group share (average) (%)[1] | 60,15 | 63,07 |
| | Dividend yield (%) | 3,22 | 1,94 |
| | Risk-free interest rate (%) | 7,32 | 7,29 |
| | Employee forfeiture rate (%) | 2,97 | 2,90 |
| **DBP** | Share price at valuation date – February (R) | 152,45 | 114,00 |
| | Share price at valuation date – March (R) | 165,46 | 125,90 |
| | Share price at valuation date – August (R) | n/a | 114,44 |
| | Weighted average option life (years) | 3 | 3 |
| | Dividend yield – February (%) | 3,59 | 1,98 |
| | Dividend yield – March (%) | 3,31 | 1,95 |
| | Dividend yield – August (%) | n/a | 2,24 |
| | Risk-free interest rate – February (%) | 7,19 | 7,68 |
| | Risk-free interest rate – March (%) | 7,37 | 7,35 |
| | Risk-free interest rate – August (%) | n/a | 6,53 |
| | Employee forfeiture rate (%) | 0 | 0 |
| **Phantom Options** | Share price at valuation date (R) | 179,50 | 139,01 |
| | Weighted average option life (years) | 0,92 | 1,78 |
| | Exercise price (R) | 32,84 | 29,81 |
| | Expected volatility (%)[1] | 35,48 | 38,00 |
| | Dividend yield (%) | 5,13 | 4,70 |
| | Risk-free interest rate (%) | 5,34 | 6,50 |
| | Employee forfeiture rate (%) | 0 | 0 |

1 *Volatility is measured as the annualised standard deviation of the continuously compounded daily returns of the underlying share(s) under the assumption that the share price is log-normally distributed. The historical period used to determine the log returns and hence volatility is equal in length to the period from valuation date up to and including the maturity date, starting from the valuation date.*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Rm** | Rm | **Rm** | Rm |
| **33. CONTINGENT ASSETS AND LIABILITIES** | | | | |
| **Contingent assets** | | | | |
| Surrender fee on prospect rights, exploration rights and mining rights. | **82** | 63 | | |
| **Contingent liabilities** | | | | |
| Contingent liabilities at statement of financial position date, not otherwise provided for in these annual financial statements, arising from: | | | | |
| – guarantees in the normal course of business from which it is anticipated that no material liabilities will arise | **755** | 707 | **2** | 1 |
| – other[1] | **442** | 300 | **21** | 151 |

1 *Include the group's share of contingent liabilities of associates and joint ventures of R233 million (2010: R117 million).* The increase in 2011 is attributable to the increase in the group's share of contingent liabilities of associates and joint ventures. *In 2010 the increase was due to guarantees to the Department of Mineral Resources (DMR) in respect of environmental liabilities on immediate closure of mining operations.*

The timing and occurrence of possible outflows are uncertain.

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **34. COMMITMENTS** | | | | |
| **Capital commitments at 31 December** | | | | |
| Capital expenditure contracted for plant and equipment | **8 029** | 6 475 | **76** | 67 |
| Capital expenditure authorised for plant and equipment but not contracted | **2 738** | 2 490 | **206** | 173 |
| The above includes the group's share of capital commitments of associates and joint ventures. | **415** | 556 | | |
| Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom respectively. | **90** | 1 | | |

Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.

A trust known as New Africa Mining Fund (the Fund) was established during 2003 to make portfolio investments in junior mining projects within South Africa and elsewhere on the continent of Africa. Exxaro, as an investor participant to the Fund, has committed to contribute R20 million towards the Fund. The Fund manager can draw down this balance or any portion as and when required, by serving a 10-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expired on 28 February 2009.

Since then, up until 28 February 2013 no new investments in new funds may be undertaken by the Fund, however,

Exxaro may still be required to invest funds into established investments limited to the initial R20 million commitment.

| | GROUP 2011 Rm | GROUP 2010 Rm | COMPANY 2011 Rm | COMPANY 2010 Rm |
|---|---|---|---|---|
| **Operating lease commitments** | | | | |
| The future minimum lease payments under non-cancellable operating leases are as follows: | | | | |
| – up to one year | **34** | 57 | **5** | 7 |
| – more than one year and less than five years | **26** | 67 | **3** | 5 |
| – more than five years | | 8 | | |
| **Total** | **60** | 132 | **8** | 12 |
| **Operating sublease receivable** | | | | |
| Non-cancellable operating lease rentals are receivable as follows: | | | | |
| – up to one year | **3** | 2 | | |
| – more than one year and less than five years | **1** | 4 | **1** | |
| **Total** | **4** | 6 | **1** | |

# ANNEXURE 1
## NON-CURRENT INTEREST-BEARING BORROWINGS

| Final repayment date | Rate of interest per year (payable half-yearly) | | Rate of interest per year (payable half-yearly) | | GROUP | | COMPANY | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2011 | 2010 | 2011 | 2010 |
| | Fixed % | Floating % | Fixed % | Floating % | Rm | Rm | Rm | Rm |
| **LOCAL** | | | | | | | | |
| **Unsecured loans** | | | | | | | | |
| 2013 | | **6,830** | | 6,810 | **150** | 150 | **150** | 150 |
| 2013 | | **6,830** | | 6,810 | **178** | 342 | **178** | 342 |
| 2013 | | **6,830** | | 6,810 | **270** | 405 | **270** | 405 |
| 2013 | | **6,930** | | 6,910 | **675** | 675 | **675** | 675 |
| 2013 | | **6,830** | | 6,810 | **50** | 75 | **50** | 75 |
| 2013 | | **6,930** | | 6,910 | **125** | 125 | **125** | 125 |
| 2013 | | **6,830** | | 6,810 | **90** | 135 | **90** | 135 |
| 2013 | | **6,930** | | 6,910 | **224** | 224 | **224** | 224 |
| 2013 | | **6,830** | | 6,810 | **24** | 36 | **24** | 36 |
| 2013 | | **6,930** | | 6,910 | **60** | 60 | **60** | 60 |
| 2013 | | **6,830** | | 6,810 | **72** | 108 | **72** | 108 |
| 2015 | | **6,677** | | 7,610 | **800** | 800 | **800** | 800 |
| 2016 | | **7,650** | | 8,110 | **130** | 167 | | |
| 2016 | | **8,960** | | 9,350 | **9** | 6 | | |
| | | | | | **2 857** | 3 308 | **2 718** | 3 135 |
| **Secured loans** | | | | | | | | |
| 2011 | **12,130** | | 12,130 | [1] | | 1 | | |
| 2011 | **17,490** | | 17,490 | [2] | | 1 | | |
| 2012 | **11,420** | | 11,420 | [3] | | 1 | | |
| 2013 | **13,540** | | 13,540 | [4] | **4** | 6 | | |
| 2015 | **12,250** | | | [5] | **2** | | | |
| 2025 | **8,330** | | 8,330 | [6] | **22** | 23 | | |
| 2026 | **10,710** | | 10,710 | [7] | **12** | 12 | | |
| 2031 | **16,050** | | 22,200 | [8] | **45** | 87 | | |
| 2032 | **22,150** | | 32,930 | [9] | **51** | 137 | | |
| | | | | | **136** | 268 | | |

| | Final repayment date | Rate of interest per year (payable half-yearly) | | Rate of interest per year (payable half-yearly) | | GROUP | | COMPANY | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2011** | | 2010 | | **2011** | **2010** | 2011 | 2010 |
| | | **Fixed** | **Floating** | Fixed | Floating | | | | |
| | | **%** | **%** | % | % | **Rm** | **Rm** | Rm | Rm |
| **FOREIGN** | | | | | | | | | |
| **Unsecured loans (US$)** | | | | | | | | | |
| | 2011 | | | | 8,050 [10] | | 236 | | |
| | 2016 | **7,550** | | 7,550 | [11] | **464** | 387 | | |
| | | | | | | **464** | 623 | | |
| **FOREIGN** | | | | | | | | | |
| **Secured loans (US$)** | | | | | | | | | |
| | 2012 | | **3,790** | | 3,790 [12] | **174** | 161 | | |
| | 2016 | **6,400** | | | [13] | **52** | | | |
| | | | | | | **226** | 161 | | |
| Total non-current interest-bearing borrowings (refer note 22) | | | | | | **3 683** | 4 360 | **2 718** | 3 135 |

**Finance Leases recognised due to *IFRIC4 – Determining whether an Agreement contains a Lease***

1 *Finance lease agreement between Exxaro Sands Proprietary Limited and Mhlathuze Water in respect of a plant with a book value of Rnil million for 2011 and 2010.*
2 *Finance lease agreement between FerroAlloys Proprietary Limited and African Qxygen Limited (Afrox) in respect of machinery and equipment with a book value of Rnil million for 2011 and 2010.*
3 *Finance lease agreement between Exxaro Sands Proprietary Limited and Eskom in respect of buildings with a book value of Rnil million for 2011 and 2010.*
4 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Air Products in respect of a plant with a book value of R1 million (2010: R3 million).*
5 *Finance lease agreement between Rosh Pinah Zinc Corporation Proprietary Limited and Trentyre Namibia Proprietary Limited in respect of a plant with a book value of R2 million.*
6 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Mhlathuze Water in respect of a plant with a book value of R13 million (2010: R13 million).*
7 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Eskom in respect of buildings with a book value of R8 million (2010: R9 million).*
8 *Finance lease agreement between Exxaro Sands Proprietary Limited and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R27 million (2010: R28 million).*
9 *Finance lease agreement between Exxaro Sands Proprietary Limited and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R30 million (2010: R31 million).*
10 *A syndicated loan facility of US$45million (variable interest rate), of which US$34 million was drawn on 31 December 2010.*
11 *US$60 million senior notes (fixed interest rate) issued by Ticor Finance (A.C.T.) Proprietary Limited, an entity controlled by Exxaro Australia Sands Proprietary Limited.*
12 *A trade receivable facility from Investec Limited that is secured for the outstanding amount of US$21,250,000 (US$24,250,000 on 31 December 2010),against pigment receivables for that amount.*
13 *Finance lease agreement for the Co-generation plant with a book value of R62 million, for the Kwinana Pigment Plant.*

# ANNEXURE 2
## INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

| | Nature of business[1] | Country of incor-poration[2] | Number of shares held | Percentage holding | | Group carrying amount | | Company carrying amount | | Year-end other than 31 December |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2011 % | 2010 % | 2011 Rm | 2010 Rm | 2011 Rm | 2010 Rm | |
| **ASSOCIATED COMPANIES** | | | | | | | | | | |
| **Unlisted** | | | | | | | | | | |
| Black Mountain Mining Proprietary Limited | A | RSA | 260 | **26,00** | 26,00 | **458** | 242 | | | 31 March |
| Chifeng Kumba Hongye Zinc Corporation Limited | A & M | CH | 58 520 000 | **38,00** | 38,00 | **126** | 92 | | | |
| Chifeng NFC Kumba Hongye Zinc Corporation Limited | A & M | CH | 42 500 000 | **25,00** | 25,00 | **42** | 35 | | | |
| Sishen Iron Ore Company Proprietary Limited | A | RSA | 240 000 000 | **19,98** | 20,00 | **4 138** | 3 511 | | | |
| **Total associated companies (refer note 15)** | | | | | | **4 764** | 3 880 | | | |
| **JOINT VENTURES** | | | | | | | | | | |
| **Incorporated** | | | | | | | | | | |
| **Unlisted** | | | | | | | | | | |
| Mafube Coal Mining Proprietary Limited | A | RSA | 50 | **50,00** | 50,00 | | | | | |
| RoshSkor Township Proprietary Limited | C | NAM | 50 | **50,00** | 50,00 | | | | | 30 June |
| South Dunes Coal Terminal Co Proprietary Limited | C | RSA | 1 333 | **33,33** | 33,33 | | | | | |
| Thakweneng Mineral Resources Proprietary Limited | E | RSA | 1 | **50,00** | 50,00 | | | | | |
| Rosh Pinah Health Care Proprietary Limited | C | NAM | 31 | **31,00** | 31,00 | | | | | |
| **Unincorporated** | | | | | | | | | | |
| Moranbah Coal Project | A | | | | 50,00 | | | | | |
| Tiwest | A | | | | 50,00 | | | | | |
| **INVESTMENT COMPANIES** | | | | | | | | | | |
| **Listed** | | | | | | | | | | |
| Kumba Iron Ore Limited[3] | | | | | | **4** | | | | |
| **Unlisted** | | | | | | | | | | |
| Richards Bay Coal Terminal[4] | | | | | | **359** | 369 | | | |
| Other | | | | | | | 7 | | | |
| **Total other investments (refer note 17)** | | | | | | **363** | 376 | | | |
| **CLASSIFIED AS NON-CURRENT ASSETS HELD-FOR-SALE** | | | | | | **2** | | | | |
| **TOTAL INVESTMENTS** | | | | | | **5 129** | 4 256 | | | |
| The investments are valued at statement of financial position date. Listed shares are valued at market value and unlisted shares at directors' value. | | | | | | | | | | |
| Unlisted investments in associates – directors' valuation | | | | | | **22 715** | 20 782 | | | |
| Listed other investments – market value | | | | | | **44** | | | | |
| Unlisted other investments – directors' valuation | | | | | | **392** | 407 | | | |
| Unlisted investments included in non-current assets held-for-sale – directors' valuation | | | | | | **2** | | | | |

Where the above entities' financial year-ends are not co-terminous with that of the company, financial information has been obtained from published information or management accounts as appropriate.

*1 A – Mining, C – Service, E – Exploration, M – Manufacturing.*
*2 RSA – Republic of South Africa, CH – People's Republic of China, NAM – Namibia.*
*3 Included in the market valuation of 2011 is an amount of R40 million in respect of Kumba Iron Ore Limited, which is classified as derivative debtors.*
*4 Included in the directors' valuation of 2011 is an amount of R33 million (2010: R31 million) in respect of RBCT, which is classified as other debtors.*

The group's effective share of statement of financial position, income statement and cash flow items in respect of associated companies and joint ventures is as follows:

| | Associated companies | | Joint ventures | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | Rm | Rm | Rm | Rm |
| **INCOME STATEMENTS** | | | | |
| Revenue | 10 647 | 8 614 | 3 262 | 2 147 |
| Operating expenses | (3 972) | (3 473) | (2 219) | (1 835) |
| **NET OPERATING PROFIT** | 6 675 | 5 141 | 1 043 | 312 |
| Net financing income/(expense) | 3 | (34) | (27) | (101) |
| **PROFIT BEFORE TAX** | 6 678 | 5 107 | 1 016 | 211 |
| Income tax expense | (2 010) | (1 390) | (111) | (33) |
| **PROFIT FOR THE YEAR** | 4 668 | 3 717 | 905 | 178 |
| **NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | 4 668 | 3 717 | 905 | 178 |
| **STATEMENTS OF FINANCIAL POSITION** | | | | |
| **Non-current assets** | 5 002 | 3 718 | 3 905 | 3 873 |
| **Current assets** | 2 882 | 2 462 | 2 982 | 1 801 |
| **TOTAL ASSETS** | 7 884 | 6 180 | 6 887 | 5 674 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | 4 545 | 3 670 | 4 749 | 2 942 |
| **Non-current liabilities** | | | | |
| Interest-bearing borrowings | 219 | 856 | 197 | 320 |
| Non-current provisions | 231 | 201 | 320 | 261 |
| Deferred tax | 1 053 | 479 | 140 | 80 |
| Other | | 78 | 3 | 416 |
| **Current liabilities** | | | | |
| Trade and other payables | 963 | 744 | 1 172 | 1 503 |
| Interest-bearing borrowings | 762 | 94 | 223 | 63 |
| Current tax payable | 67 | 37 | 1 | |
| Current provisions | 43 | 17 | 81 | 89 |
| Other | 1 | 4 | 1 | |
| **TOTAL EQUITY AND LIABILITIES** | 7 884 | 6 180 | 6 887 | 5 674 |
| **STATEMENTS OF CASH FLOWS** | | | | |
| Net cash flows from operating activities | 2 268 | 1 829 | 690 | 110 |
| Net cash flows from investing activities | (1 192) | (974) | 207 | (456) |
| Net cash flows from financing activities | (620) | (121) | (231) | 322 |
| **Net increase/(decrease) in cash and cash equivalents** | 456 | 734 | 666 | (24) |

# ANNEXURE 3
## INVESTMENTS IN SUBSIDIARIES[1]

| | Country of incor-poration[2] | Nature of business[3] | Public Interest Score[4] | Issued capital-unlisted ordinary shares | Investment in shares | | Indebtedness | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2011 | 2010 | 2011 | 2010 |
| | | | | R | R | R | Rm | Rm |
| **DIRECT INVESTMENTS** | | | | | | | | |
| AlloyStream Proprietary Limited | RSA | M | 1 | 1 | **1** | 1 | | |
| AlloyStream Holdings Proprietary Limited | RSA | H | 1 | 1 | **746 163** | 746 163 | **18** | 17 |
| Amakhala Emoyeni RE Project 1 Proprietary Limited[5] | RSA | M | 1 | 120 | **120** | | | |
| Cennergi Proprietary Limited[5] | RSA | H | 1 | 1 | **1** | | | |
| Clipeus Investment Holdings Proprietary Limited | RSA | H | 2 | 1 | **1** | 1 | | |
| Colonna Properties Proprietary Limited | RSA | B | 1 | 200 | **2 518 966** | 2 518 966 | **2** | 2 |
| Cullinan Refractories Limited | RSA | A | 1 | 1 000 | **1 000** | 1 000 | | |
| Exxaro Australia Iron Holdings Proprietary Limited[5] | AUS | H | | 15 | | | | |
| Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited | RSA | H | 1 | 1 | **1** | 1 | | |
| Exxaro Base Metals Proprietary Limited | RSA | M | 2 054 | 5 500 000 | | 247 712 500 | **471** | 768 |
| Exxaro Chairman's Fund | RSA | T | 46 | | | | | |
| Exxaro Coal Proprietary Limited | RSA | A | 22 576 | 1 | **1 000** | 1 000 | **5 463** | 4 936 |
| Exxaro Coal Botswana Holding Company Proprietary Limited | BOT | H | | 200 | | | | |
| Exxaro Employee Empowerment Participation Scheme Trust | RSA | T | | | | | | |
| Exxaro Environmental Rehabilitation Fund | RSA | T | 30 | | | | | |
| Exxaro Esmore Cooperatief U.A[6] | NE | J | | | | | | |
| Exxaro FerroAlloys Proprietary Limited | RSA | M | 149 | 1 | **1** | 1 | **(56)** | (32) |
| Exxaro Foundation | RSA | T | 1 | | | | | |
| Exxaro Holdings Proprietary Limited | RSA | H | 55 | 566 827 | **459 517 297** | 459 517 297 | **54** | 52 |
| Exxaro Holdings Sands Proprietary Limited[7] | RSA | H | 1 | 40 000 | | 1 869 951 859 | | |
| Exxaro Insurance Company Limited | RSA | I | 195 | 50 | **5 000 000** | 5 000 000 | | 1 |
| Exxaro On-Site Proprietary Limited | RSA | C | 1 | 1 | **1** | 1 | | |
| Exxaro People Development Initiative NPC | RSA | E | 3 | | | | | |
| Exxaro Properties (Groenkloof) Proprietary Limited | RSA | B | 1 | 1 | **1** | 1 | | |
| Exxaro TSA Sands Proprietary Limited[7] | RSA | M | 9 445 | 1 800 000 510 | | 510 | **4 206** | 3 531 |
| Exxaro Sands Proprietary Limited[7] | RSA | A | 1 124 | 200 | | 6 003 355 | **157** | 150 |
| Ferroland Grondtrust Proprietary Limited | RSA | D | 63 | 2 | **2** | 2 | **26** | 22 |
| Gravelotte Iron Ore Company Proprietary Limited[8] | RSA | M | 1 | 1 | **1** | | | |
| Glen Douglas Dolomite Proprietary Limited[9] | RSA | A | 10 000 | | | | | |
| Kumba Resources Management Share Trust | RSA | T | 14 | | | | **(31)** | (30) |
| Rocsi Holdings Proprietary Limited | RSA | H | 543 | 647 044 943 | **653 722 945** | 653 722 945 | **541** | 488 |
| Skyprops 112 Proprietary Limited | RSA | H | 1 | 100 | **44 389 208** | 44 389 208 | **20** | 20 |

| | Country of incorporation[2] | Nature of business[3] | Public Interest Score[4] | Issued capital-unlisted ordinary shares | Investment in shares | | Indebtedness | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **2011** | 2010 | **2011** | 2010 |
| | | | | R | **R** | R | **Rm** | Rm |
| **INDIRECT INVESTMENTS** | | | | | | | | |
| Coastal Coal Proprietary Limited | RSA | A | 163 | 5 000 | | | **(21)** | (35) |
| Exxaro Australia Iron Investment Proprietary Limited[5] | AUS | H | | 15 | | | | |
| Exxaro Australia Proprietary Limited | AUS | A & P | | 11 | | | **1** | |
| Exxaro Australia Sands Proprietary Limited[7] | AUS | C | | 2 038 299 354 | | | **(15)** | 1 |
| Exxaro Base Metals (Namibia) Proprietary Limited[7] | NAM | H | | 100 | | | **208** | 241 |
| Exxaro Base Metals China Limited | HK | H | | 1 354 | | | | |
| Exxaro Base Metals International BV | NE | P | | 119 209 | | | | |
| Exxaro Coal Botswana Proprietary Limited (75%) | BOT | P | | 200 | | | | |
| Exxaro Coal Mpumalanga Proprietary Limited | RSA | A | 10 202 | 100 000 | | | **111** | 494 |
| Exxaro Coke Proprietary Limited[8] | RSA | M | | 1 | | | | |
| Exxaro Esmore Cooperatief U.A[5] | NE | J | | | | | | |
| Exxaro Finance Ireland | IRL | F | | 893 656 391 | | | | |
| Exxaro Holdings (Australia) Proprietary Limited[7] | AUS | H | | 5 | | | | |
| Exxaro International BV | NE | H | | 662 037 | | | **1** | 1 |
| Exxaro International Coal Trading BV | NE | C | | 172 866 | | | | |
| Exxaro International Trading BV | NE | C | | 172 866 | | | | |
| Exxaro Investments (Australia) Proprietary Limited[7] | AUS | H | | 5 | | | | |
| Exxaro Maden Arama ve Madencilik Limited Sti | TUR | P | | 32 512 | | | | |
| Exxaro Madencilik Sanayi Ve Ticaret Anonim Sirketi (76%)[9] | TUR | P | | 6 436 530 | | | | |
| Exxaro Mineral Sands BV | NE | P | | 134 973 | | | | |
| Exxaro Reductants Proprietary Limited | RSA | M | 648 | 1 | | | **4** | 3 |
| Exxaro Sands Holdings BV[7] | NE | H | | 169 999 | | | | |
| Ferrowest Shareblock Proprietary Limited (95%) | RSA | B | 2 | 136 500 000 | | | | |
| Inyanda Coal Proprietary Limited | RSA | A | 1 | 1 000 | | | | |
| Lephalale Solar Farm Proprietary Limited[5] | RSA | M | 1 | 1 | | | | |
| Letsatsi Solar Farm Proprietary Limited[5] | RSA | M | 1 | 1 | | | | |
| Omacor Sac[10] | PERU | G | | 10 | | | | |
| Oreco Leasing Limited | MAU | F | | 1 | | | | |
| Pigment Holdings Proprietary Limited[7] | AUS | C | | 10 | | | | |
| Rosh Pinah Mine Holdings Proprietary Limited[7] | NAM | H | | 1 000 | | | | |
| Rosh Pinah Zinc Corporation Proprietary Limited (50,0264%)[7] | NAM | A | | 2 280 | | | **15** | 18 |
| Senbar Holdings Proprietary Limited[7] | AUS | C | | 10 | | | | |

# ANNEXURE 3
## INVESTMENTS IN SUBSIDIARIES[1] CONTINUED

| | Country of incorporation[2] | Nature of business[3] | Public Interest Score[4] | Issued capital-unlisted ordinary shares | Investment in shares | | Indebtedness | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **2011** | 2010 | **2011** | 2010 |
| | | | | R | **R** | R | **Rm** | Rm |
| **INDIRECT INVESTMENTS continued** | | | | | | | | |
| Synthetic Rutile Holdings Proprietary Limited[7] | AUS | C | | 10 | | | | |
| The Vryheid (Natal) Railway Coal and Iron Company Limited | RSA | A | 113 | 3 675 | | | | |
| Ticor Finance (A.C.T.) Proprietary Limited[7] | AUS | F | | 10 | | | | |
| Ticor Resources Proprietary Limited[7] | AUS | H | | 8 111 062 | | | | |
| Tific Proprietary Limited[7] | AUS | H | | 10 | | | | |
| TiO2 Corporation Proprietary Limited[7] | AUS | H | | 85 101 240 | | | | |
| Tiqua Wind Farm Proprietary Limited[5] | RSA | M | 1 | 100 | | | | |
| Tsitsikamma Community Wind Farm Proprietary Limited[5] | RSA | M | 1 | 1 | | | | |
| Yalgoo Minerals Proprietary Limited[7] | AUS | A | | 48 216 010 | | | | |
| TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 16) | | | | | **1 165 896 709** | 3 289 564 811 | **11 175** | 10 648 |

*1 At 100% holding except where otherwise indicated.*
*2 RSA – Republic of South Africa, AUS – Australia, NAM – Namibia, HK – Hong Kong, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BOT – Botswana, TUR – Turkey.*
*3 A – Mining, B – Property, C – Service, D – Land management, E – Not for profit company, F – Finance, G – Dormant, H – Holdings, I – Insurance, J – Cooperative, M – Manufacturing, P – Exploration, T – Trust.*
*4 Public Interest scores only applicable to entities incorporated in the Republic of South Africa.*
*5 Incorporated in 2011.*
*6 Cooperative in Rotterdam, Netherlands with the following members: Exxaro Resources Limited and Exxaro Holdings Proprietary Limited.*
*7 Reclassified during 2011 as non-current asset classified as held-for-sale.*
*8 Name has changed during the year ended 31 December 2011 from Exxaro Coke Proprietary Limited to Gravelotte Iron Ore Company Proprietary Limited and shareholding was transferred from Exxaro Coal Proprietary Limited to Exxaro Resources Limited.*
*9 Disposed of through sale during the year ended 31 December 2011.*
*10 Deregistered during 2010.*

# ANNEXURE 3 CONTINUED
## INVESTMENTS IN SUBSIDIARIES

| | Final repayment date | Rate of interest per year (payable half-yearly)[1] 2011 Floating % | 2010 Floating % | 2011 Rm | 2010 Rm |
|---|---|---|---|---|---|
| **TERMS AND CONDITIONS OF INDEBTEDNESS TO AND FROM SUBSIDIARIES** | | | | | |
| FirstRand Bank Limited, acting through its Rand Merchant Bank division | 2013 | **6,830** | 6,810 | **81** | 150 |
| FirstRand Bank Limited, acting through its Rand Merchant Bank division | 2013 | **6,830** | 6,810 | **84** | 178 |
| FirstRand Bank Limited, acting through its Rand Merchant Bank division | 2013 | **6,830** | 6,810 | **135** | 270 |
| FirstRand Bank Limited, acting through its Rand Merchant Bank division | 2013 | **6,930** | 6,910 | **675** | 675 |
| Anglo American SA Finance Limited | 2013 | **6,830** | 6,810 | **25** | 75 |
| Anglo American SA Finance Limited | 2013 | **6,930** | 6,910 | **125** | 100 |
| Anglo American SA Finance Limited | 2013 | **6,830** | 6,810 | **45** | 90 |
| Anglo American SA Finance Limited | 2013 | **6,930** | 6,910 | **224** | 224 |
| Anglo American SA Finance Limited | 2013 | **6,830** | 6,810 | **12** | 24 |
| Anglo American SA Finance Limited | 2013 | **6,930** | 6,910 | **60** | 60 |
| Internal loan with Exxaro Resources Limited with no back-to-back | 2013 | **6,830** | 6,810 | **40** | 80 |
| ABSA Bank Limited | 2015 | **6,677** | 7,610 | **600** | 800 |
| **Total unsecured non-current loans** | | | | **2 106** | 2 726 |
| Interest-bearing current loans payable[2] | | | | **1 560** | 1 369 |
| Current portion of non-current loans | | | | **621** | 421 |
| Non-interest-bearing current loans | | | | **6 888** | 6 132 |
| **Current loans** | | | | **9 069** | 7 922 |
| **Total** (refer note 16) | | | | **11 175** | 10 648 |

*1 There was no indebtedness to and from subsidiaries with fixed rate of interest per year.*
*2 Interest charged at average overnight money market rates.*

# ANNEXURE 4
## SHAREHOLDER ANALYSIS

**Registered shareholder spread**
At 31 December 2011

| Shareholder spread | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1–1 000 shares | 22 770 | 83,99 | 6 692 388 | 1,89 |
| 1 001–10 000 shares | 3 680 | 13,57 | 10 406 105 | 2,94 |
| 10 001–100 000 shares | 518 | 1,91 | 15 179 017 | 4,28 |
| 100 001–1 000 000 shares | 120 | 0,11 | 34 885 553 | 9,85 |
| 1 000 001 shares and above | 21 | 0,08 | 287 071 485 | 81,04 |
| **Total** | 23 853 | 100,00 | 354 234 548 | 100,00 |

**Public and non-public shareholdings**

| Shareholder type | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Non-public shareholders | 9 | 0,04 | 223 036 061 | 62,96 |
| Main Street 333 Proprietary Limited | 1 | 0,00 | 186 550 873 | 52,66 |
| Anglo American Corp of SA Limited | 1 | 0,00 | 34 730 282 | 9,81 |
| Kumba Management Share Trust | 1 | 0,00 | 1 607 724 | 0,45 |
| Konar D | 1 | 0,00 | 168 | 0,00 |
| De Klerk WA | 1 | 0,00 | 33 695 | 0,01 |
| Nkosi SA* | 1 | | 9 857 431 | |
| Mntambo VZ** | 1 | | 5 529 881 | |
| Zihlangu D** | 1 | | 2 818 552 | |
| Sowazi NL** | 1 | | 3 038 387 | |
| Subsidiary directors | 14 | 0,06 | 113 319 | 0,03 |
| Public shareholders | 23 844 | 99,96 | 131 198 487 | 37,04 |
| **Total** | **23 853** | **100,00** | **354 234 548** | **100,00** |

* *19 776 shares held directly through the Kumba Management Share Trust, and 9 837 655 shares held indirectly through Main Street 333 Proprietary Limited.*
** *Indirectly held through Main Street 333 Proprietary Limited.*

# ANNEXURE 4 CONTINUED
## SHAREHOLDER ANALYSIS

### Substantial investment management and beneficial interests above 3%

| Beneficial shareholdings | Total shareholding | % |
|---|---|---|
| Main Street 333 Proprietary Limited | 186 550 873 | 52,66 |
| Anglo American Corp of SA Limited | 34 730 282 | 9,81 |
| Government Employees Pension Fund (PIC) | 1 603 104 | 6,13 |

### Beneficial shar eholder categories

| Category | Total shareholding | % of issued capital |
|---|---|---|
| Black economic empowerment | 186 550 873 | 52,66 |
| Pension funds | 35 288 445 | 9,96 |
| Corporate holding | 35 147 154 | 9,92 |
| Unit trusts/mutual funds | 36 565 657 | 10,32 |
| Other | 21 030 037 | 5,94 |
| Private investors | 14 759 997 | 4,17 |
| Sovereign wealth | 7 154 212 | 2,02 |
| Insurance companies | 6 242 729 | 1,76 |
| Custodians | 3 380 237 | 0,95 |
| Local authority | 983 733 | 0,28 |
| American depositary receipts | 944 147 | 0,27 |
| Investment trust | 494 426 | 0,14 |
| Exchange-traded fund | 453 083 | 0,13 |
| Hedge fund | 372 634 | 0,11 |
| University | 44 741 | 0,01 |
| Charity | 33 100 | 0,01 |
| Remainder | 4 789 343 | 1,35 |
| **Total** | **354 234 548** | **100,00** |

# NOTICE OF ANNUAL GENERAL MEETING

**Exxaro Resources Limited**
(Incorporated in the Republic of South Africa)
Registration Number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
(Exxaro or the company)

Notice is hereby given that the 11th annual general meeting of shareholders of Exxaro will be held at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Tuesday, 22 May 2012 to consider, and if deemed fit, pass with or without modification, the following resolutions as set out in this notice.

The board of directors of the company has determined, in accordance with section 59 of the Companies Act 71 of 2008, as amended, that the record date for shareholders to be recorded as shareholders in the shareholders' register, maintained by the transfer secretaries of the company, to be able to attend, participate in and vote at the annual general meeting is Friday, 11 May 2012. Therefore the last day to trade in the company's shares on the JSE to be recorded in the share register on the record date is Friday, 4 May 2012.

▼*For this resolution to be passed, votes in favour of the resolution must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of this ordinary resolution.*

## 1. ORDINARY RESOLUTION NUMBER 1: APPROVAL OF FINANCIAL STATEMENTS ▼

To receive and adopt the annual financial statements of the group for the period ended 31 December 2011, including the directors', audit committee's and independent auditors' reports thereon.

## 2. ORDINARY RESOLUTION NUMBER 2: RE-ELECTION OF DIRECTORS ▼

2.1 In terms of clause 15.2 of the memorandum of incorporation of the company, Ms Salukazi Dakile-Hlongwane, appointed to the board with effect from 21 February 2012, will retire and, being eligible, offers herself for re-election. A brief résumé for Ms Dakile-Hlongwane appears on 214 of this report.

2.2 To re-elect by separate resolution Mr Ufikile Khumalo, who offers himself for re-election;

2.3 To re-elect by separate resolution Dr D Konar, who offers himself for re-election; and

2.4 To re-elect by separate resolution Mr RP Mohring, who offers himself for re-election, as directors of the company, who retire by rotation in terms of clause 16.1 of the memorandum of incorporation of the company. A brief résumé for each director standing for re-election appears on 214 of this report. The board of directors has assessed the performance of the directors standing for re-election and has found them suitable for reappointment.

## 3. ORDINARY RESOLUTION NUMBER 3: APPOINTMENT OF GROUP AUDIT COMMITTEE MEMBERS ▼

"**RESOLVED** that an audit committee comprising independent, non-executive directors, as provided in section 94(4) of the Companies Act 71 of 2008, as amended (Companies Act), set out below be and is hereby appointed in terms of section 94(2) of the Companies Act to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King III and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

| | |
|---|---|
| J van Rooyen | (chairman); |
| RP Mohring | (member); |
| NL Sowazi | (member)." |

## 4. ORDINARY RESOLUTION NUMBER 4: APPOINTMENT OF GROUP SOCIAL AND ETHICS COMMITTEE MEMBERS ▼

"**RESOLVED** that a social and ethics committee, as provided in section 72(4) of the Companies Act 71 of 2008, as amended and regulation 43 of the Companies Regulations, 2011 (Regulations), set out below be and is hereby appointed in terms of regulation 43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

| | |
|---|---|
| J van Rooyen | (chairman); |
| RP Mohring | (member); |
| JJ Geldenhuys | (member)." |

## 5. ORDINARY RESOLUTION NUMBER 5: ADVISORY VOTE ON THE REMUNERATION POLICY ▼

"**RESOLVED**, through a non-binding advisory vote, that the company's remuneration policy and its implementation, as set out in the remuneration report contained on 59 to 63 of this report, be and is hereby approved."

This ordinary resolution is of an advisory nature only and although the board will take the outcome of the vote into consideration when determining the remuneration policy, failure to pass this resolution will not legally preclude the company from implementing the remuneration policy as contained in this report.

## 6. ORDINARY RESOLUTION NUMBER 6: RE-APPOINTMENT OF INDEPENDENT AUDITORS ▼

"**RESOLVED** that PricewaterhouseCoopers Incorporated, with the designated audit partner being Mr D Shango, be and is hereby reappointed as independent auditors of the company for the ensuing year."

## 7. ORDINARY RESOLUTION NUMBER 7: CONTROL OF AUTHORISED BUT UNISSUED SHARES ▼

"**RESOLVED** that the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act 71 of 2008, as amended, clause 3.2 of the memorandum of incorporation of the company and the JSE Listings Requirements. The issuing of shares granted under this authority will be at their discretion until the next annual general meeting of the company, after setting aside so many shares as may be required, to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes."

## 8. ORDINARY RESOLUTION NUMBER 8: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"**RESOLVED** that the directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.2 of the memorandum of incorporation of the company, the Companies Act 71 of 2008, as amended, and the JSE Listings Requirements, when applicable and with the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees;
- the number of shares issued for cash shall not in the aggregate in the current financial year exceed 10% (ten per cent) of the company's issued share capital of ordinary shares (for purposes of determining the securities comprising the 10% (ten per cent) number in any one year, account must be taken of the dilution effect, in the year of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities). The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year (or to be issued arising from options or convertible securities issued), provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were shares in issue at the date of application;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
- the maximum discount permitted at which equity securities may be issued is 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting.

## 9. ORDINARY RESOLUTION NUMBER 9: AUTHORISE DIRECTORS AND/OR SECRETARY ▼

"**RESOLVED** that any one director and/or group company secretary of the company or equivalent be and are hereby authorised to do all such things and sign all such documents that are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which these resolutions will be considered."

## 10. SPECIAL RESOLUTION NUMBER 1: DIRECTORS' FEES

To approve the remuneration of non-executive directors for the period 1 January 2012* until the next annual general meeting. Approval, as a special resolution in terms of section 66 of the Companies Act 71 of 2008, as amended, (Companies Act), is required to authorise the company to pay remuneration to non-executive directors of the company in respect of their services as directors. Furthermore, in terms of King III and as read with the JSE Listings Requirements, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

"**RESOLVED** as a special resolution in terms of the Companies Act, that the remuneration of non-executive directors for the period 1 January 2012* until the next annual general meeting, be and is hereby approved as follows:

| | Current | Proposed |
|---|---|---|
| Chairman | R650 000 | R900 000 |
| Director | R216 130 | R234 502 |
| Audit committee chairman | R199 670 | R216 642 |
| Audit committee member | R105 460 | R114 425 |
| Board committee chairman | R154 680 | R167 828 |
| Board committee member | R73 810 | R80 084 |
| Social and ethics committee chairman | New | R83 914 |
| Social and ethics committee member | New | R40 042 |
| Ad hoc meeting fees – | | |
| Board meeting | R10 000 | R10 850 |
| Committee meeting | R7 500 | R8 140" |

** If the proposed fee is approved, directors will receive back pay on the basis of the increased fee with effect from 1 January 2012.*

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 1.

The chairman's proposed fee reflects a larger percentage increase than the directors. The higher proposed increase is based on his performance, level of involvement and participation in strategic matters, including large corporate transactions, support and guidance provided to management, his attendance of board committees as invitee (without receiving member fees), as well as benchmarking of his fees against comparable peers.

## 11. SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO REPURCHASE SHARES

"**RESOLVED** as a special resolution in terms of the Companies Act 71 of 2008, as amended (Companies Act), that, subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 36 of the memorandum of incorporation of the company, the directors be and are hereby authorised at their discretion to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company, provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 5% (five per cent) of the ordinary shares in issue at the date on which this resolution is passed;
- this must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 (fifteen) months after the date on which this resolution is passed; and
- the price paid per ordinary share may not be greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made."

The reason for and effect of this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At present, the directors have no specific intention to utilise this authority which will only be used if circumstances are appropriate. The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after such repurchases the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2011, will be in excess of the consolidated liabilities of the company and the group immediately following such purchase or 12 months after the date of the notice of annual general meeting, whichever is the later;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting or a period of 12 months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later;
- the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of the notice of the annual general meeting of the company;

- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of this notice;
- a resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the requirements contained in schedule 25 of the JSE Listings Requirements are complied with;
- the company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- when the company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company at any time only appoints one agent to effect any repurchase(s) on its behalf; and
- the company undertakes that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE in accordance with schedule 25 of the JSE Listings Requirements.

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 2.

## 12. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SECURITIES

"**RESOLVED** as a special resolution in terms of the Companies Act, No 71 of 2008, as amended (the Companies Act), that the provision by the company of any direct or indirect financial assistance as contemplated in section 44 of the Companies Act to any 1 (one) or more related or inter-related companies of the company for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, be and is hereby approved, provided that:

1. (i) the specific recipient or recipients of such financial assistance, and
   (ii) the form, nature and extent of such financial assistance,
   (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time;
2. the board has satisfied the requirements of section 44 of the Companies Act in relation to the provision of any financial assistance;
3. such financial assistance to a recipient thereof is, in the opinion of the board of directors of the company, required for a purpose, which in the opinion of the board of directors of the company, is directly or indirectly in the interests of the company; and
4. the authority granted in terms of this special resolution shall end 2 (two) years from the date of adoption of this special resolution."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of Special Resolution number 3.

## 13. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## DISCLOSURES REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

The following information is provided in accordance with paragraph 11.26 of the JSE Listings Requirements and relates to Special Resolution number 2.

## LITIGATION STATEMENT

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names are given on 44 and 45 of the report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on 44 and 45 of the report, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of paragraph 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by law and the JSE Listings Requirements.

## MATERIAL CHANGES

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

The following further disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the report of which this notice forms part:

- Directors and management – refer 42 to 45 of this report
- Major shareholders of the company – refer 206 of this report
- Directors' interest in the company's shares – refer 82 and 83 of this report
- Share capital of the company – refer 75 of this report.

## IDENTIFICATION, VOTING AND PROXIES

In terms of section 63(1) of the Companies Act any person attending or participating in the annual general meeting must present reasonable satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documentation, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the JSE Listings Requirements will not be taken into account at the annual general meeting for approval of any resolution proposed in terms of the JSE Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised Exxaro shareholders with own-name registration who cannot attend the annual general meeting, but who wish to be represented thereat. To be valid, completed forms of proxy must be received by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Friday, 18 May 2012.

All beneficial owners of Exxaro shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority.

Exxaro does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such Exxaro shareholder of the annual general meeting.

## ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address above, to be received by the transfer secretaries at least 7 (seven) business days prior to the annual general meeting (thus Friday, 11 May 2012) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the annual general meeting by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board

**CH Wessels**
*Group company secretary*
Pretoria
16 April 2012

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

## SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

**Name:** S Dakile-Hlongwane – Salukazi (61)
**Academic qualifications:** BA (Economics and Statistics); MA (Development Economics)
**Experience:** Salukazi is the deputy-chairman of Nozala Investments, a company she co-founded in 1996. Her career experience includes: 1977-1982 senior investment officer, Lesotho National Development Corporation; 1983 – 1995 African Development Bank (Abidjan/Côte d'Ivoire) as country programme officer and later principal corporation officer; senior manager, structured finance division/ FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of some of Nozala's investee companies including Eqstra Limited, Enviroserv Holdings Limited, Woodlands Dairy Proprietary Limited, Afripack Proprietary Limited, Tsebo Outsourcing Group Proprietary Limited; Synergy Freight International Proprietary Limited and Natal Rubber Compounders Proprietary Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited.

**Name:** U Khumalo – Ufikile (46)
**Academic qualifications:** BSc (Eng); MSc (Eng) (UCT); MAP (Wits); senior executive development programme (Harvard); AMP (Insead)
**Experience:** Ufikile served with Sasol and Eskom as a senior engineer and Bevcan as a manufacturing manager prior to joining the IDC. He held several positions at the IDC since 1999, including head: international finance; executive vice president: industrial sectors and executive vice president: projects. He is currently the divisional executive responsible for investments in resources and beneficiation sectors, food beverage and agro industries, energy and infrastructure sectors as well as high technology venture capital. He has served as a non-executive director of many companies including the JSE-listed DigiCore Holdings.

**Name:** Dr D Konar – Len (58)
**Academic qualifications:** BCom; CA(SA); MAS; DCom
**Experience:** After completing his articles of clerkship at Ernst & Young in Durban, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant.
Len is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar, Sappi and JD Group and a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

**Name:** RP Mohring – Rick (65)
**Academic qualifications:** BSc Eng (Mining); PrEng
**Experience:** From 1972 to 1998, Rick held production, managerial and executive posts in the gold and coal divisions of the Rand Mines and Billiton Groups. From 1998 until 2000, he was the chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was the deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25 million tonnes of coal per annum, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003, and set up a private consulting company, Mohring Mining Consulting.

# FORM OF PROXY

POWERING POSSIBILITY

**Exxaro Resources Limited**
(Incorporated in the Republic of South Africa)
Registration Number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
(Exxaro or the company)

## TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH 'OWN NAME' REGISTRATION ONLY

For completion by registered shareholders of Exxaro unable to attend the 11th annual general meeting of the company to be held at 10:00 on Tuesday, 22 May 2012, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment of that meeting.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the company) to attend, participate in, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.

I/We ______________________________________________

of (address) ______________________________________________

being the holder/s of ______________________ shares in the company, do hereby appoint:

1 ______________________________________________ or, failing him/her

2 ______________________________________________ or, failing him/her

the chairman of the annual general meeting, as my/our proxy to attend, participate in, speak and, on a poll, vote on my/our behalf at the annual general meeting of shareholders to be held at 10:00 on Tuesday, 22 May 2012 at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment of that meeting, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

| | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| **Ordinary resolutions** | | | |
| 1 Resolution to adopt the 2011 audited group financial statements | | | |
| 2 Resolution to re-elect directors | | | |
| 2.1 Ms S Dakile-Hlongwane as director required to retire by rotation in terms of clause 15.2 of the memorandum of incorporation | | | |
| 2.2 Resolution to re-elect Mr U Khumalo as director required to retire by rotation in terms of clause 16.1 of the memorandum of incorporation | | | |
| 2.3 Resolution to re-elect Dr D Konar as director required to retire by rotation in terms of clause 16.1 of the memorandum of incorporation | | | |
| 2.4 Resolution to re-elect Mr RP Mohring as director required to retire by rotation in terms of clause 16.1 of the memorandum of incorporation | | | |
| 3 Resolution to appoint group audit committee members | | | |
| 4 Resolution to appoint group social and ethics committee members | | | |
| 5 Resolution to endorse, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out in the remuneration report contained in the annual report | | | |
| 6 Resolution to appoint PwC as independent auditors of the company and to note D Shango as the designated audit partner | | | |
| 7 Resolution to authorise directors to allot and issue unissued ordinary shares | | | |
| 8 Resolution to authorise directors to issue shares for cash | | | |
| 9 Resolution to authorise directors and/or secretary of the company to implement the resolutions set out in the notice convening the annual general meeting | | | |
| **Special resolutions** | | | |
| 1 Special resolution to approve non-executive directors' fees for the period 1 January 2012 to the next annual general meeting | | | |
| 2 Special resolution to authorise directors to repurchase company shares | | | |
| 3 Special resolution to approve financial assistance for subscription of securities | | | |

Please indicate with an 'X' in the appropriate spaces above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at ______________________ this ________ day of ______________________ 2012

Signature ______________________________________________

Assisted by me, where applicable (name and signature) ______________________

**Please read the notes on the reverse side.**

# NOTES TO THE FORM OF PROXY

(which includes, *inter alia*, a summary of the rights established by section 58 of the Companies Act No 71 of 2008, as amended)

1 A form of proxy is only to be completed by those ordinary shareholders who are:
   1.1 holding ordinary shares in certificated form; or
   1.2 recorded on sub-register electronic form in 'own name'.

2 If you have already dematerialised your ordinary shares through a central securities depository participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.

3 A shareholder may insert the name of a proxy or the names of two or more persons as alternative or concurrent proxies in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

4 A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.

5 On a show of hands, a shareholder of the company present in person or by proxy will have one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of shareholders he/she represents, have only one vote. On a poll, a shareholder who is present in person or represented by proxy will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of shares held by him/her bears to the aggregate amount of the nominal value of all shares issued by the company.

6 A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the shareholder in the box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

7 The proxy appointment is:
   - suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   - revocable unless the proxy appointment expressly states otherwise; and if the appointment is revocable, a shareholder may revoke the proxy appointment by:
     - Cancelling it in writing, or making a later inconsistent appointment of a proxy; and
     - Delivering a copy of the revocation instrument to the proxy, and to the transfer secretaries of the company.

8 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
   - the date stated in the revocation instrument, if any; or
   - the date on which the revocation instrument was delivered.

9 If the instrument appointing a proxy or proxies has been delivered, as long as that appointment remains in effect, any notice that is required by the Companies Act 71 of 2008, as amended, or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered to:
   - the shareholder; or
   - the proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.

10 The proxy appointment remains valid only until the end of the annual general meeting or until any adjournment of the meeting, unless it is revoked in accordance with paragraph 7 above prior to the meeting.

11 Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

**For shareholders on the South African register:**
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
PO Box 61051
Marshalltown
2107
www.computershare.com
Tel: +27 11 370 5000

**Over-the-counter American depositary receipt (ADR) holders:**
Exxaro has an ADR facility with The Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY how the shares represented by their ADRs should be voted.

American Depositary Receipt Facility (ADR)
Bank of New York
101 Barclay Street
New York, NY 10286
www.adrbny.com
shareowners@bankofny.com
Tel: +(00-1) 888 815 5133

12 Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any appointed proxy.

13 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

14 Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

15 Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

16 If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders are present at the annual general meeting, either in person or by proxy, the person whose name first appears in the register will be entitled to vote.

# ADMINISTRATION

**Group company secretary and registered office**
CH Wessels
Exxaro Resources Limited
Roger Dyason Road
Pretoria West
0183
PO Box 9229
Pretoria
0001
South Africa
Telephone +27 12 307 5000

**Company registration number:** 2000/011076/06

**JSE share code:** EXX
**ISIN code:** ZAE000084992

**Auditors**
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill
2157

**Commercial bankers**
Absa Bank Limited

**Corporate law advisers**
CLS Consulting Services Proprietary Limited

**United States ADR Depository**
The Bank of New York
101 Barclay Street
New York NY 10286
United States of America

**Sponsor**
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square
87 Maude Street
Sandton
2196

**Registrars**
Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg
2001
PO Box 61051
Marshalltown
2107

# SHAREHOLDERS' DIARY

| | |
|---|---|
| **FINANCIAL YEAR-END** | 31 December |
| **ANNUAL GENERAL MEETING** | May |
| **REPORTS AND ACCOUNTS** | **Published** |
| Announcement of annual results | February |
| Annual Report | April |
| Interim report for the half-year ending 30 June | August |
| **DISTRIBUTION** | |
| Final dividend declaration | February |
| Payment | March/April |
| Interim dividend declaration | August |
| Payment | September/October |

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www.exxaro.com